

AR42

FirstCity



In last year's annual report we introduced our new name, First City as symbolic of our overall corporate goal: to get to the top by being distinctively different. It is now time to take the measure of our progress towards that goal in 1979.

Just as a clock is a tool for the measurement of time, so is this annual report a measure of ourselves in time past. Moreover, in the cycle of our continuing growth story, this annual report is a point of departure for a new year of achievement. It is fitting that our theme is *time*. Aren't clocks themselves judged on performance? Isn't the common denominator of our many financial services accuracy? Time is an excellent metaphor for First City's past, present and future activities. Time plays an integral role in our work style and philosophy.

Seasons follow one another whether we like it or not. We are born, we age, and we pass on enveloped by time. We pursue time. It is a commodity so dear we buy it, sell it, borrow it, save it and waste it daily in every way. Time serves as the bookends of our lives.

Man is caught in the web of his own time: the time of how long things take. While the Guinness Book of Records records how long certain things *have taken*, our own lives are more affected by how long something *will take*. In the one second it takes a hummingbird to beat its wings 70 times, light will travel from Earth to the moon. In the hour it takes the government to print \$392,000 in dollar bills, an adult Junebug will live out its full term of life. In thirty days, human hair will grow an average of half an inch and a new-born baby will learn voluntary smiling.

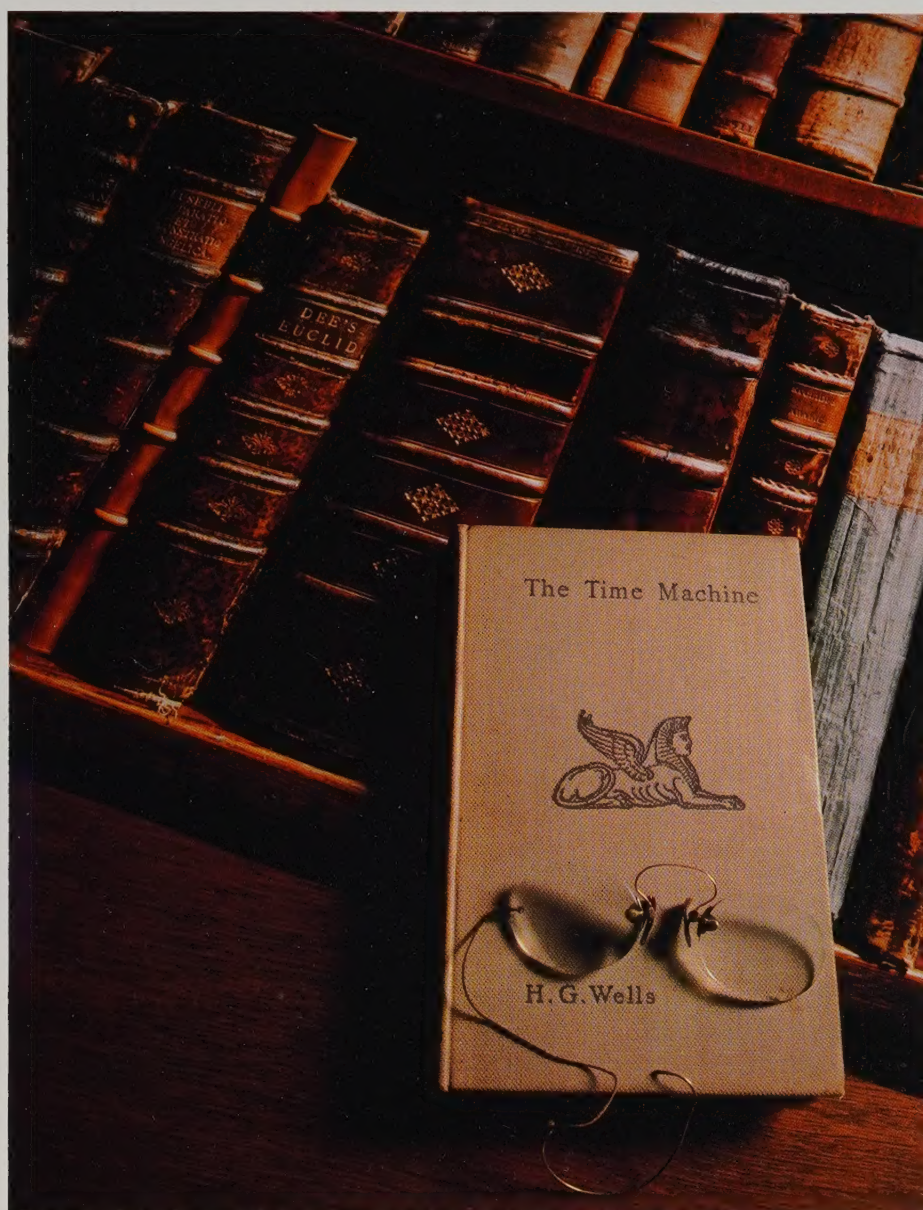
It took you 20 seconds to read the first 14 sentences of this section.

Our perception of time, our knowledge of cyclic changes and our belief in permanence is what separates us from other creatures, but we spend time like prodigal heirs, we grab for some of it and then carelessly we kill it.

When we focus on our theme, the relationship between time and First City, our first thought is that time is money. But it goes deeper than that. Time symbolizes our commitment to quality: we take our time... we do things right; simultaneously we are an impatient organization of people on the move, anxious to get things done. Time and quality.

Time conjures up time-pieces. Clocks and watches are symbols of man's genius for superb workmanship, the ability to handle technical and esthetic complexities, the very epitome of quality and that is why we, as an organization, are different. We know how to strike that balance between infinite patience and surpassing speed. We apply our professional skill in precise fashion to achieve our goals and those of our customers.

This annual report is a chronicle of the past, present and future, a record of our corporate life and times. We hope that in its presentation as a measure of business life, we will also convey another omnipresent measure of time, the pulse and rhythm of our heartbeats, the personal and human side of our approach to the marketplace. It is a rapid heartbeat because we are having the time of our lives. That exuberance is the final and most meaningful point of difference that will get us to the top and keep us there.



About the Cover: Timelessness, the definition of a classic.

All business organizations want to think that they are different or distinctive in some way. Setting yourself apart is a major step toward success in any enterprise.

First City has not been reticent about its corporate goal: to get to the top by being different.

Time is our theme this year. As part of our report we have described how we try to use time in a way that makes our company stand out. The photographs we have used are designed to present various aspects of the quality of time in our lives.

Financial
HighlightsFirst City
Financial
Corporation Ltd.

	1979	1978	Percentage Increase
Earnings Per Share	\$ 2.48	\$ 1.80	38%
Net Income	\$ 6.9 million	\$ 5.0 million	38%
Total Assets	\$ 1.2 billion	\$ 826 million	45%
Shareholders' Equity	\$ 38 million	\$ 31 million	22%

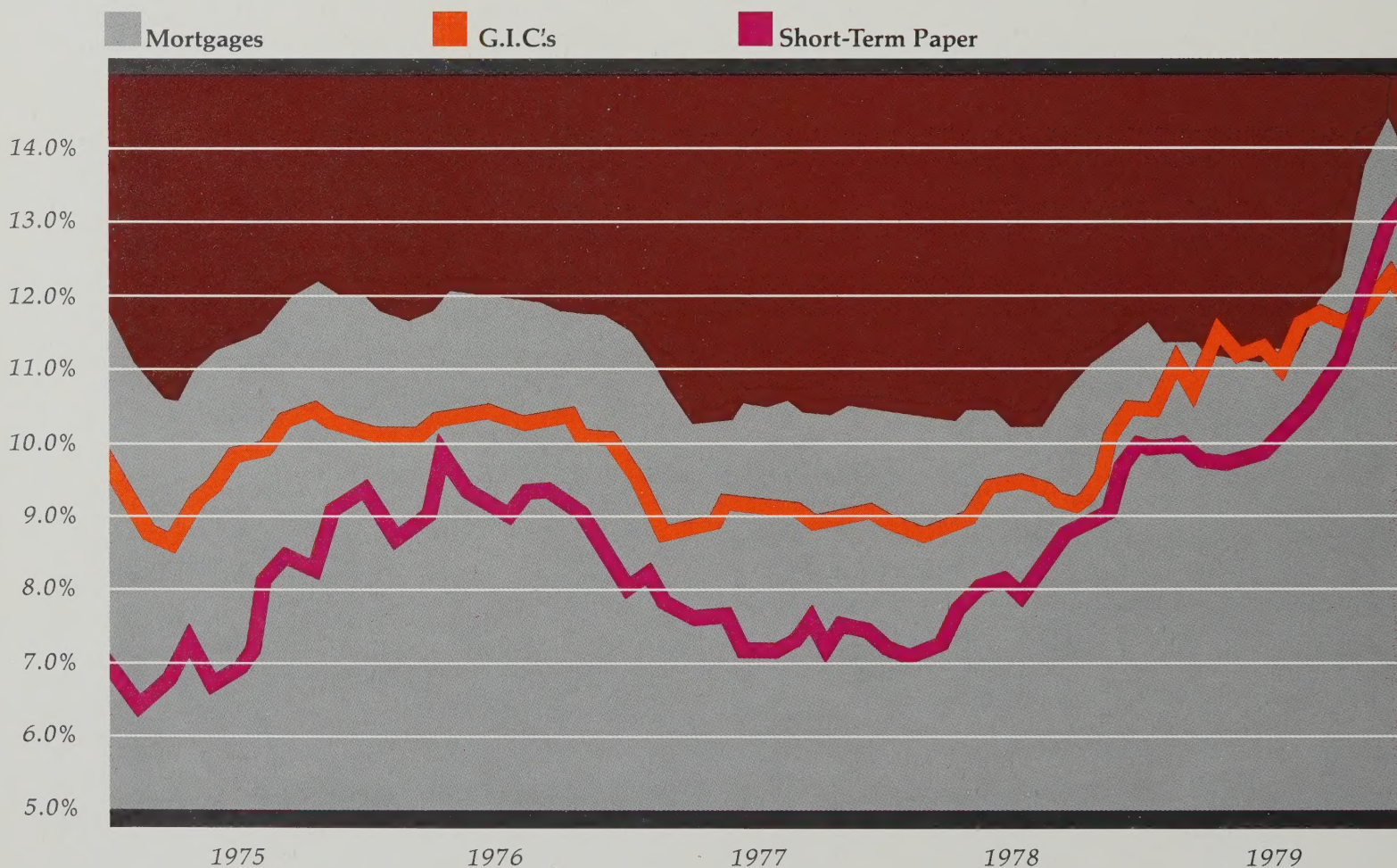
First City
Trust Company

Earnings Per Share	\$ 5.53	\$ 3.15	75%
Net Income	\$ 8.3 million	\$ 5.3 million	57%
Investment Assets			
Securities	\$ 111 million	\$ 98 million	13%
Mortgages	\$ 619 million	\$ 494 million	25%
Personal Loans	\$ 22 million	\$ 8 million	175%
Equipment Leases and Commercial Loans	\$ 72 million	\$ 36 million	100%
Real Estate	\$ 275 million	\$ 138 million	99%
Customer Deposits	\$ 822 million	\$ 612 million	34%
Shareholders' Equity	\$ 47 million	\$ 42 million	12%

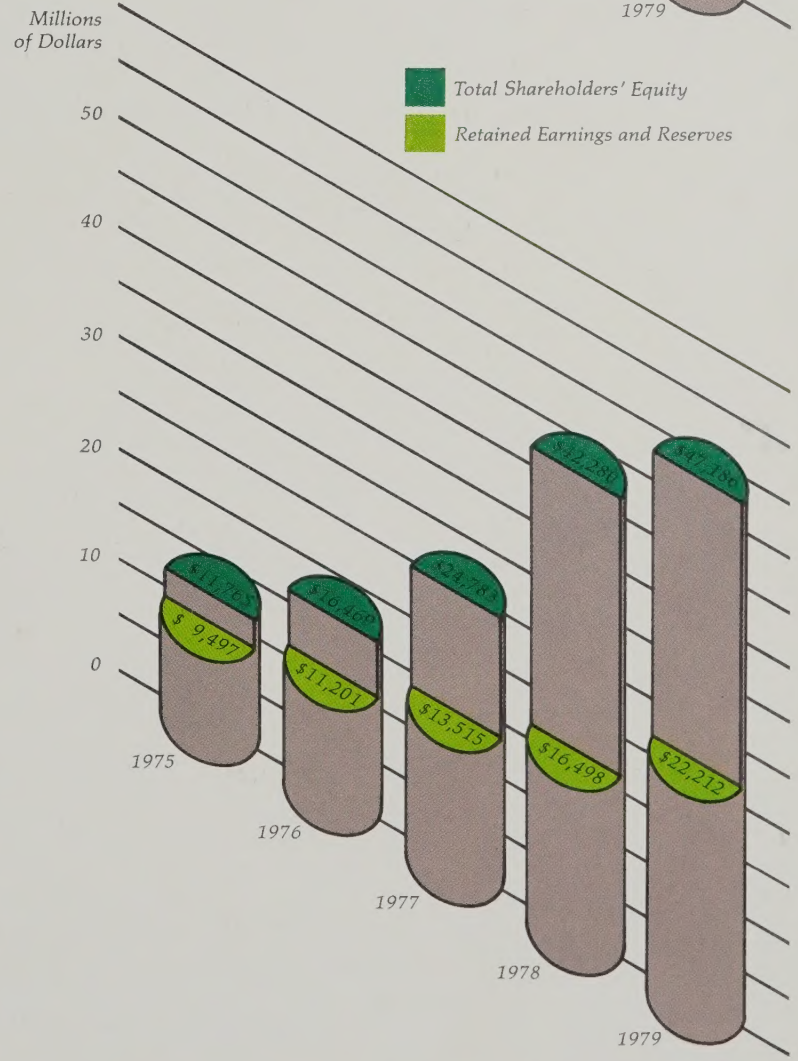
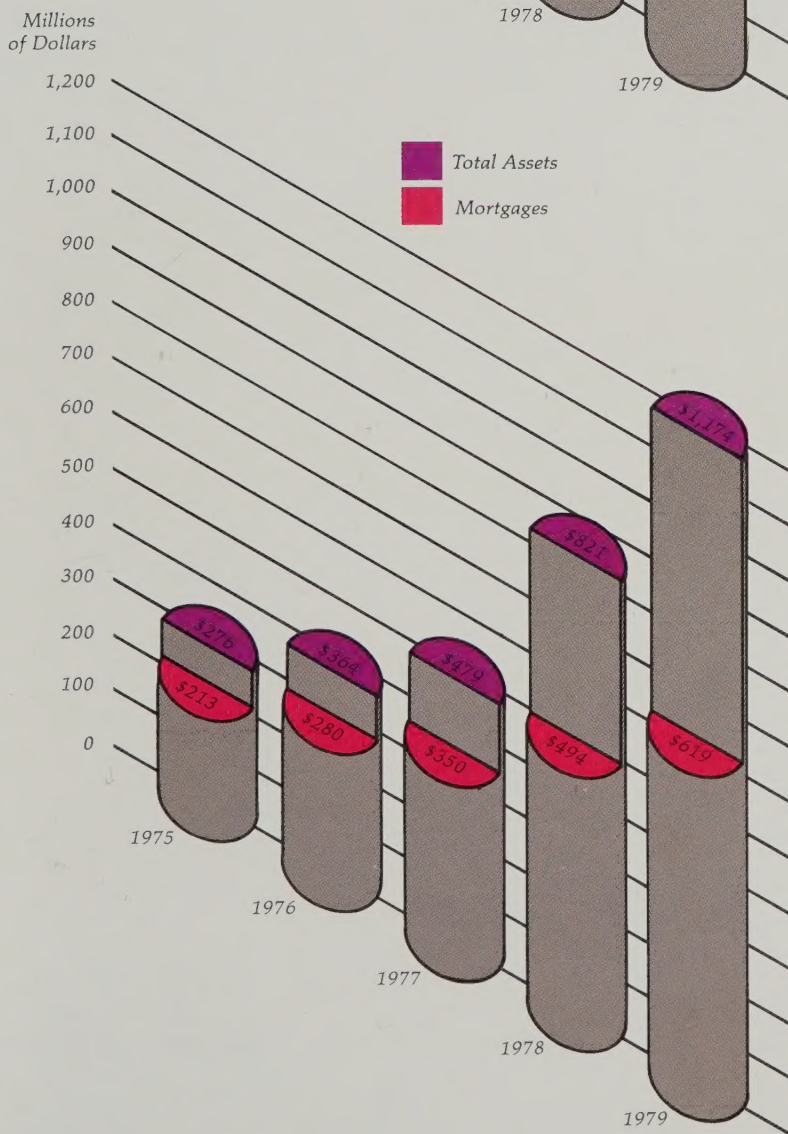
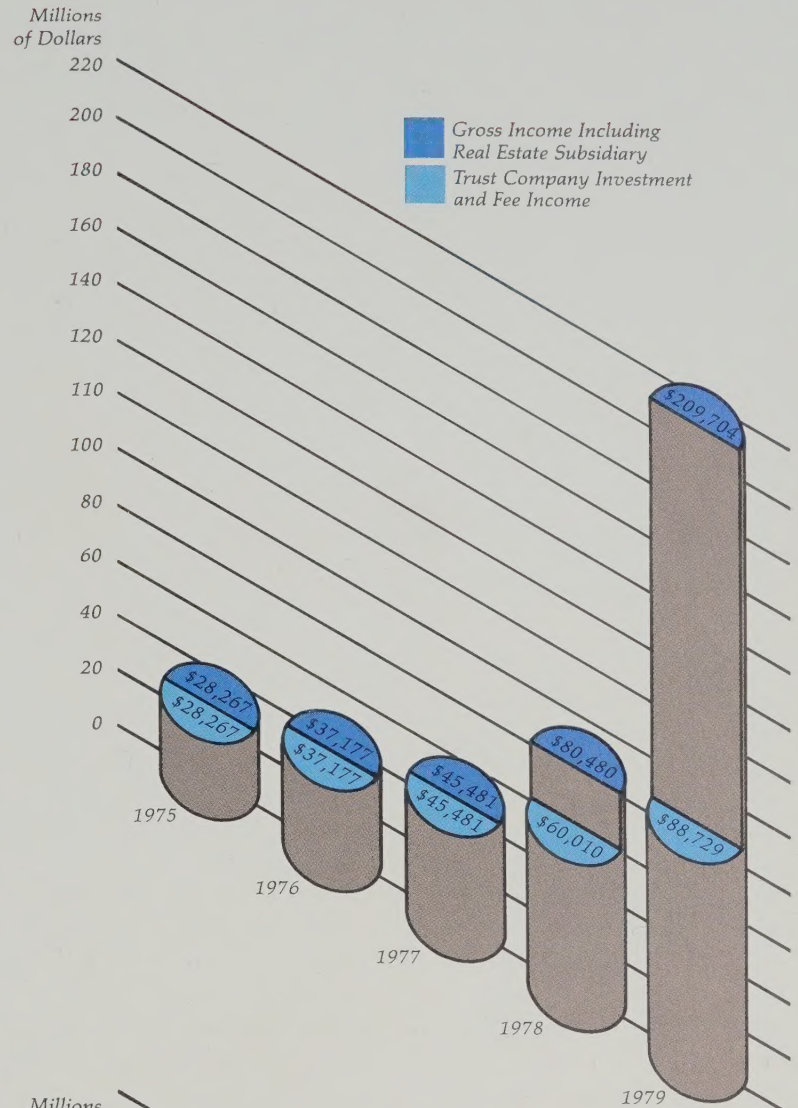
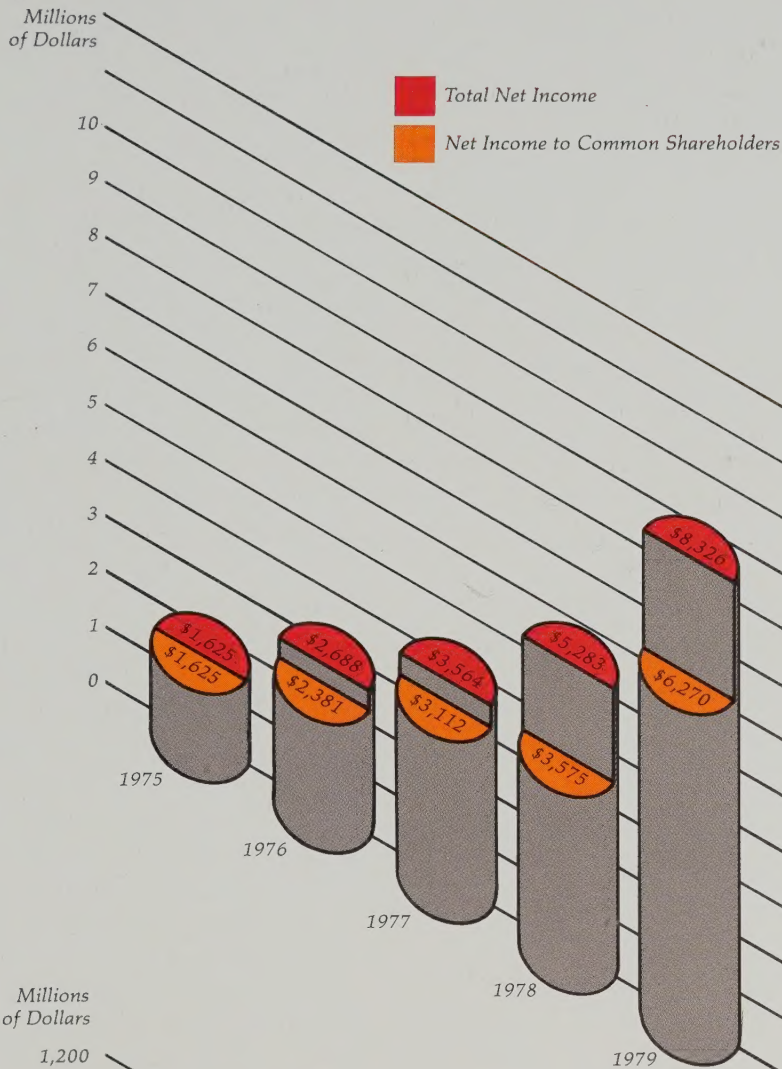
First City
Developments Ltd.

Net Income—Common	\$ 3.6 million	\$ 1.1 million	227%
Total Revenue	\$ 121 million	\$ 29 million	317%
Total Assets	\$ 309 million	\$ 161 million	92%

Five Year Comparison of Selected Interest Rates



First City Trust Company



To Our Shareholders, Clients and Employees:

All good management is the expression of one great idea: cash in must exceed cash out. One of our purposes is to report on how well we adhered to this idea in 1979. At the same time we are determined not to issue a corporate Guinness Book of Records, with its emphasis on quantity over quality. The theme of this annual report is time and how we use it to achieve our corporate goals. So while we must measure our year's result in cold figures, we agree with Curtis Jones who, writing in the Harvard Business Review, said: "There are many decisions where return on time provides a more useful criterion for action than return on capital invested."

First City Financial Corporation Ltd.

The company surpassed all previous earnings levels with net income reaching \$6.9 million, up 38% over last year. Total assets exceeded the \$1 billion mark amounting to \$1.2 billion at year end, an increase of \$386 million. First City Financial Corporation Ltd. is a holding company; substantially all the growth in earnings comes from the operating subsidiaries discussed below.

First City Trust Company and Subsidiaries

Operations Review

First City Trust achieved record levels in nearly all areas of its operations. Total assets under administration reached \$1.4 billion, registering growth of \$390 million or 38%. The growth of assets and the increased emphasis on the company's investment portfolio, equipment leasing, consumer and commercial lending activities, expanded fee generation and increased earnings in the real estate subsidiary accounted in large part for the record net income of \$8.3 million, a 57% increase over 1978. The net income after preferred dividends represented a 29% return on average common equity. Earnings per common share amounted to \$5.53, a 75% increase over the previous year.

Entering 1979, most economists predicted a downward trend in interest rates. What actually happened is history, but it is important to note that during 1979 there were five increases in the prime bank lending rate from 11.5% to 15%. That reflected the movement of the entire interest rate structure which seriously affected the lending business in Canada. Our company, while not immune to these frequent movements, was less affected than most due to our adherence to a close matching of assets to liabilities.

Despite the uncertain economic climate, all the company's lending activities—mortgage loans, commercial loans, equipment leasing and consumer loans—attained record levels of new commitments. In addition, the expanded Investment Division enabled us to improve the performance of our debt and equity portfolios.

Capital expenditures were kept to a minimum and operating costs were closely controlled. The only extraordinary costs were related to our new savings branch locations in Windsor and London, Ontario and additional computer equipment.

Mortgages

The company's mortgage portfolio increased by \$125 million to \$619 million at year end. New business committed during the year amounted to \$244 million, which was achieved in a competitive mortgage lending environment. Income from mortgages increased during the year by 35%. Mortgages sold to institutional and individual investors amounted to \$50 million. The portfolio administered for third party investors amounted to \$228 million.

At year end, our foreclosed property amounted to \$8.4 million of which \$8.0 million is insured. The level of arrears has remained stable and with continuation of the high interest rate structure, high unemployment and the projected high inflation rate in Canada in 1980, we will continue to give this area careful attention.

First City Realfunds

Our newest lending division which specializes in consumer loans—second mortgages on residential real estate—concluded its first full operating year. The funded portfolio of loans approximated \$15 million with the contribution to earnings much higher than expected.

Leasing and Term Lending

The trust company and its subsidiary First City Capital Ltd. issued \$37 million of new commitments and the funded portfolio increased during the year by 100%, amounting to \$72 million by year end.

Customer Deposits

The increase in assets was balanced off with a record \$210 million growth in customer deposits, a 34% increase. The Savings Division opened two new branches, one in Windsor, and the other in London, Ontario. Both branches have enjoyed an unusual degree of customer acceptance. Early in 1980 a new branch will be opened in Montreal, Quebec. This eastward movement demonstrates our faith in the future of Quebec and the Nation.

Real Estate Operations

Real estate operations continue to play an important role in the company's overall operating results. Our wholly owned subsidiary, First City Developments Ltd., increased its real estate asset base, which grew by \$149 million to \$309 million at year end. Earnings on common equity rose dramatically to \$3.6 million. This growth came through expansion into the United States where the company's asset base grew by \$109 million. U.S. expansion during the year included the previously reported \$31 million

purchase of Metropolitan Development Corporation, a Los Angeles home builder, as well as the acquisition of other land and income property holdings in the Chicago, Los Angeles, Seattle, and Florida markets. In addition, the First City Investments Division made a strong contribution through its construction lending, joint ventures, interim and equity financing arrangements with non-affiliated real estate developers.

Outlook

At this point in 1980 our view is somewhat mixed, summed up most accurately by the phrase: "You cannot smile and frown at the same time." We have had an excellent year. What looms in the immediate future gives us pause. Unprecedented inflation and high interest rates are with us now. There can be no easing off to a semblance of normality until the money markets perceive that the question of worsening inflation is being dealt with effectively. The timing is uncertain, to say the least.

Our response is not passive. The company's diversification gives us the flexibility to move our resources where they are needed most and where they will generate the best return. In the area of real estate for example, we will emphasize projects on the west coast of the U.S. and in the sun-belt regions of the southeast and southwest. When the present business cycle returns to a more normal state, the company's financial resources and broad real estate asset base will put us in an excellent position to capitalize on the resulting opportunities.

We are fully aware that this letter has a confident and optimistic tone. It comes from our knowing precisely why we did so well in the past year. The reason is the hearts and minds of our human resources—management and staff. "Time is precious," said Disraeli, "but truth is more important than time." The truth is that our corporate achievements come directly from the concentrated energy and commitment of our

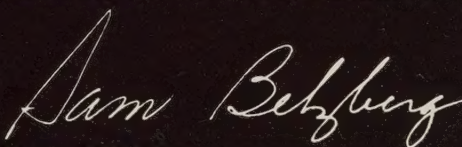
employees. We are proud of their contribution and performance and thank them. Their enthusiasm for the task is a quality that cannot be bought. It comes from within.

The word *interest* permeates our business, but it is *human* interest paid to our own excellent people and through them to our customers that is the foundation of our corporate goal: to get to the top by being different.

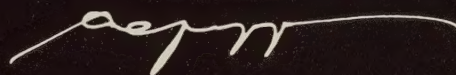
Buoyed by this belief, we find the best expression of our 1980 attitude in Pogo's classic line "We are confronted with insurmountable opportunities."



David A. Croll, Q.C.
Chairman of the Board
First City Financial Corporation Ltd.



Samuel Belzberg
President
First City Financial Corporation Ltd.
Chairman of the Board
First City Trust Company



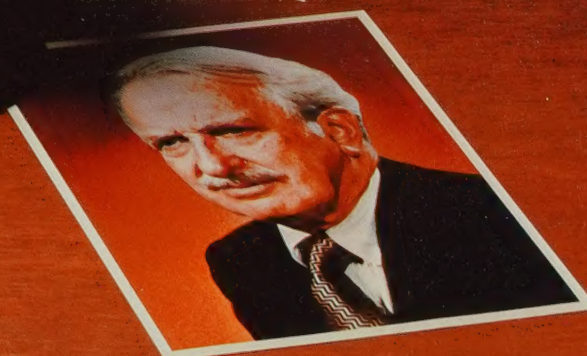
Arnold H. Jeffrey
President
First City Trust Company



Samuel Belzberg

Senator David A. Croll, Q.C.

Arnold H. Jeffrey



Summary and Review

Mortgage Acquisition

If the mortgage market were a spectator sport (and for many in 1979 it was) then the guiding admonition should have been "never confuse motion for action." The year resembled nothing so much as a washing machine without a rinse cycle: moving and churning, the results looking chaotic and unclear.

The years do appear to be getting "curious and curiouser" to quote Lewis Carroll. 1979 started out sluggishly, but despite rising rates, picked up somewhat during Spring and Summer. Even the early Fall looked promising, but rocketing inflation and tough Central Bank fiscal policies sent rates to unprecedented heights causing the residential market to declare acrophobia. In spite of this unencouraging atmosphere, the Mortgage Acquisition Division had a highly successful against-the-trend sales year. How was this done in the face of a poor year for most of our competitors?

Way back in science class our mortgage managers learned that a bee's stinger is scarcely an eighth of an inch long, and all the rest that one feels is enthusiasm. Fully aware of the soft market conditions, our sales force combined drive and creative ability with enthusiasm to forge a year with solid growth anyway. As one observer remarked, "that's like rolling over a prone elephant."

Mortgages in force rose by 25% to \$619,163,000 from \$493,898,000 at the end of 1978. Also, the number of mortgagors for whom we provide funds increased 36% to 11,350 at year end.

During 1979 we made further strides towards our continuing objective of creating mutually rewarding relationships with developers and builders across the country. Commercial and industrial transactions were consummated in areas as diverse as Fort McMurray in Northern Alberta to Windsor in Southern Ontario. The company also intensified its interest in interim lending activities and doubled its volume in this area of investment.

By decisive problem solving and unique structuring of transactions the company also became involved in several joint ventures which enabled developers to complete projects which otherwise might not have come about. We are particularly pleased that we were able to assist these clients in ensuring successful projects. We are actively seeking other opportunities where we may perform a similar function.

Two new mortgage branches were opened during the year in Windsor and London. Early business indications are very promising. Peering into 1980 we feel somewhat like the weather reporter on TV who blurted out his prediction: "cloudy with a chance for meatballs." This is not a happy state in which the industry finds itself... but this slowdown is temporary. Time is on our side. In the meantime we enter the new year determined to look ahead but not behind.

As believers in the non-passive approach to doing business, our mortgage managers have no intention of wasting time. In a relatively short time, First City has established a presence and reputation as a strong leader in the Canadian commercial, industrial and development areas. We know that it's not what's behind nor what's before but what's within that counts.

Mortgage Underwriting

Peter DeVries, the author, once said, "I love being a writer. What I can't stand is the paperwork." In a fashion, that aptly describes our mortgage organization: we look to acquire business but we must always discipline ourselves to be prudent.

The primary responsibilities of the Mortgage Underwriting Division include:

- ☐ establishing loan underwriting policies and procedures
- ☐ underwriting and structuring commercial mortgage loan applications and direct involvement in the approval process
- ☐ reviewing all legal aspects relating to our mortgage security
- ☐ real estate loan funding
- ☐ administration and management of the interim and construction loan portfolios.

In short, these are support functions to assist the Mortgage Acquisition Division in putting together transactions and to ensure proper administration afterwards. It is a key safeguard for the security of shareholders' and depositors' invested funds.

In an aggressive, fast moving marketing organization, this division's role is a sensitive one: to make haste slowly. Happily, there is a keen sense of teamwork and urgency between the field sales force and the division. Not for us the carousel sensation of going nowhere fast.

During 1979 additional staff was added to the Underwriting Division, both to handle the increased volume and to further develop and refine our underwriting and administrative practices and procedures. Specifically, we added further depth to the commercial underwriting section.

Positive clock-watching led us to install word processing equipment, and we now have an instant two-way communication system between Head Office and our largest branches which enables us to transmit a large volume of information very quickly. This system proved itself almost immediately last summer when it was instrumental in our successful handling of increased loan funding reaching \$30 million per month in volume. We plan to use word processing in 1980 to further speed up the approval process and to facilitate completion of complicated loan applications at Head Office without causing any delays to the branches.

Perhaps nowhere in our operation is there more awareness of the tension between the absolute need to take our time with each piece of business while the rhythms of commerce urge

When a man sits with a pretty girl for an hour, it seems like a minute. But let him sit on a hot stove for a minute, and it's longer than any hour. That's relativity.

Albert Einstein



Time well spent.

maximum speed. But good management requires an acceptance of reality: that it is a race down the sidewalk but care must be taken to ensure that no part of the job falls between the cracks.

Savings

Over the years, much has changed in the trust company field. One thing never changes: first, you must establish the ground game. Developing savings deposits is fundamental. Nothing happens unless you can fund it.

It is a happy circumstance that we operate in a country which has had a long-standing love affair with the compound interest key on its pocket calculator. Canadians are inveterate savers and lead the world in per capita savings. This does not mean that savings deposits flow to us without effort. It is a civilized but very hard-nosed market place competing for an increasingly rate-sensitive and volatile investor.

First City Trust's results in 1979 reflected a record increase to \$796 million in total deposits from the 1978 level of \$593 million. Long term Guaranteed Investment Certificates totalled \$465 million as of year end 1979 compared to \$374 million. Short term GIC's climbed to \$133 million in 1979 from \$79 million in 1978. The RRSP figure for 1979 was a record \$95 million up from the \$66 million total in the previous year.

In its first full year under the new name "First City," the Savings Division developed a second insured deposit instrument, covered by the Canada Deposit Insurance Corporation offering the same insurance guarantees as the First City Guaranteed Investment Certificate. It is called the First City Mortgage Co. Debenture.

In the new products category, we innovated a special Income Averaging Annuity loan program which has already demonstrated wide acceptance and is expected to make a strong profit contribution. The reason is in its concept: the customer pays about 10% of the IAC value up front (much of which is tax deductible). The loan interest rate is guaranteed. The IAC pays off the loan so no further payments are needed. Furthermore, inflation has the effect of allowing you to repay the loan in cheaper dollars.

Aside from attractive new products, growth is dependent on a good branch marketing network. In the spirit of "nothing succeeds like address," in 1979 we opened handsome new branches in Windsor and London, Ontario, the 13th and 14th in our system. Acceptance measured in new accounts, dollar deposits, and public response was overwhelming.

Early in 1980 we plan to move our Winnipeg branch into new and more attractive quarters. By mid year, in an eastward move contrary to recent trends, First City will have opened its first Quebec branch, in Montreal.

The continuing growth of our national branch system of carefully selected, quality locations complements our close working relationship

with appointed agents who direct deposits to our branches on behalf of their clients. They represent an indispensable extension of our marketing arm to those rural areas not yet served by a deposit center.

We have deposits of \$796 million. That is not a misprint. Nor is the fact that we have just 14 branches, nationwide. Can there be an explanation for this seeming disproportion? It is a matter of time. Or rather, the use of it. Quite aside from the important dimension of efficiency, accuracy and other time-related resonances, the secret of our success is in our time priorities:

- ☐ our savings managers use their time marketing. Their primary mission is to sell our services. No one is above the fray engaged in agriculture when the job is farming
- ☐ the rest of the selling team, the branch staff, is equally time-conscious. They take the time to treat their customers as people; they know how to listen and they well know that our customer is Mrs. Caroline Ripley and not number LM 48 1977-1115.

It works. We compete winningly. And the credit is once again to the humanity in our people. It gives meaning to Sir John A. Macdonald's famous line: "myself and time against any two men!"

Investment and Corporate Planning Division

You're sitting in a posh restaurant with a new friend. The strolling violinist approaches to ask if you have a request. With chagrin you reply: "We don't have a song yet." That may sum up the feelings of our newest division, formed in mid 1979 to handle the investment and corporate planning functions as a dedicated, separate operating division. Although the organizational relationship is new, the veteran team in charge of Investments has been together for several years.

From the moment Investments was established the division's motto has been: "Think before you act; it's not your money." Within this imperative, Investment's charter is simply to decide which investment opportunities offer the highest rate of return at an acceptable risk level. The object is to keep the assets of the company continually in motion—very liquid—so that the money can be readily directed, principally to four areas:

- ☐ money market notes (bank paper) and promissory notes (commercial paper)
- ☐ provincial and federal bonds
- ☐ common stocks
- ☐ preferred stocks.

"Timing is everything" is a stock market adage. It's as important to know when as to know how. To help provide the information and the means to take quick action, the Investment Division has installed a trading desk, a command post where buy and sell orders for securities listed on North American markets are sent out through direct lines to various investment dealers. A Candat system ties First City in with the

*The past, the present
and the future are
really one— they are
today.*

George Kendall



The discipline of being on time.

Toronto, New York and American Stock exchanges. In addition, a resource library has been added. These elements provide an information and communications window on the world.

At year end 1979, the Investments Division had \$72,945,182 in equities, \$40,181,320 in bonds, and \$28,887,000 in commercial paper. 1979 revenues (12 months) were \$14,685,199.

Obviously, Investments is not a vocation for anyone who thinks of time as the interval between paydays. It requires sharpness, decision-making ability and demands an analytical mind. Most of all, it's necessary to have a "feel" for the securities markets... a keen sense of the pulse, the rhythm, the beat of the market place. In musical terms, investment activity is akin to jazz: you have to hear it through your feet before you let your brain go to work in careful, thorough, cautious filtration. The Investment group has been selected for that combination of instinct and rationale.

In managing a corporation today you cannot just punt and wait for a fumble. You cannot, in the show business vernacular, "wing it." Ergo, corporate planning. Its task is to answer the question "How do we get from here to there?" after defining where "there" is. Since the navigational problem means crossing a sea of economic variables, it makes sense to combine planning with investments.

Short term or long term, corporate planning involves four steps: deciding

- ☐ what to do ☐ when to do it
- ☐ how to do it ☐ who's to do it.

Investments and corporate planning. Essential disciplines that can't be taught, can only be learned. The responsibilities entail much mental sponge squeezing. Coming in each day is like a roller coaster ride for the mind: you have to hang on tight, but it's stimulating. And already it appears as though First City Trust and its Investment and Corporate Planning Division is one of the most powerful collaborations since E was matched up with mc^2 .

Mortgage Banking

Recently we came across a cartoon showing a large package marked "contents unknown, handle with nonchalance." That would hardly be the case in our Mortgage Banking Division which deals with quite a different type of package: the value of the contents is well known and the handling is done with consummate care.

First City's Mortgage Banking provides investment services to domestic and non-resident institutional and private investors. Despite a volatile interest rate environment which made doing business seem like playing marbles with bruised fingers, total sales of new NHA mortgage packages in 1979 exceeded \$50 million. In securing this business, we added a number of major institutional investor clients. Our

computerized mortgage portfolios administered for Canadian, American and European investors have grown to approximately \$250 million. These mortgage portfolios range in size from \$40,000 to over \$15 million; the average size is about \$1 million per package. NHA mortgage loans represent 90% of mortgages under administration for our investor clients.

During 1979 we were active in the tertiary market, purchasing and re-selling a number of large mortgage portfolios. We will continue to provide instant on-market bids for our existing portfolios to meet the needs of our present clients and offer shorter term packages to current and new institutional investors. Tertiary market activity should be very pronounced in 1980.

Over the years, one of our strongest selling features in Mortgage Banking, aside from the quality of the mortgage packages themselves, has been our ability to administer them promptly and efficiently. Our mortgage banking administration has earned an enviable reputation for timely reports and remittances. A few dedicated, motivated people and the right computer assistance in Vancouver and Toronto provide accurate information on every mortgage in our clients' portfolios. That high performance, low headache quotient is what makes our mortgage banking service especially attractive to our international and domestic clients.

We look at 1980 with a resolve not to let yesterday use up too much of today. It does not shape up as an easy year, but it wouldn't be challenging if it were too easy. Should interest rates, which have now come loose from their moorings, become more fixed, hopefully downward, it will stimulate higher investor demand to again take advantage of high yielding and secure NHA packages.

First City Real funds

Our constant tuning of the corporate piano resulted in the establishment of the Real funds Division in October 1978 to service the growing second mortgage demand in the residential mortgage market. Eliot Janeway's quote on the cover of Real funds' sales brochure reads, "your choice of lifestyle is only as free as your ability to finance it." The acceptance of that truth by more and more Canadians was what led us to enter the marketplace. It was a good decision and a timely one.

Our primary interest in this market is to help people secure the extra financing they need to obtain their own homes with some extra dollar assistance. Such items as down payment and closing costs may fall beyond reach even though the nominal monthly payments are affordable. In these inflation-ridden times, we make it possible for our customers to take over existing low-interest mortgages by providing a second loan with low monthly payments to make up the

Having a wonderful time—wish you were here.

Postcard proverb

Man's eternal quest to break time barriers in competition against others and himself.

A statue perpetuating the historic moment at the 1954 Empire Games in Vancouver, BC—the meeting of Roger Bannister, the first man to break four minutes for the mile run and challenger John Landy. The race was the first between two sub-four-minute milers.

The framed photo depicts the actual event. Landy is shown glancing over his left shoulder to see where his rival was. In that instant, Bannister took the lead. That was it. Time: 3:58.8 seconds.



difference needed, thus eliminating the need for new higher rate financing.

The other major Realfunds second mortgage service is in the more familiar financing area. As home values steadily increase, homeowners find that their considerable equity value appreciation can be a source of ready cash for home improvements, recreation, business ventures, or simply to consolidate existing debt.

1979 was Realfunds' first full year of operation. Results confirmed the auspicious three month start late in 1978. As of December 31, 1979, total fundings were in excess of \$15 million.

It's axiomatic that business moves at the speed of paper. There is no question that our successful start in this activity is rooted in our obsession with eliminating unnecessary paperwork and emphasizing near-instant personal response. The pros behind our second mortgage programs harbour within themselves a burning pilot-light, quick to ignite into action. That bodes well for a bright 1980.

First City Developments Ltd.

By the end of 1978, the various First City-related real estate groups were so numerous that one had to have something of the same mechanism essential to an electronic camera just to keep everything in constant focus.

To simplify things, the disparate members of the First City real estate family were pulled together to create one corporate arm named First City Developments. In only one year, FCD, as it is called, nearly doubled its asset base from \$160 million to \$310 million.

Significant U.S. acquisitions during the year include the 100% purchase of Metropolitan Development Corporation, a Los Angeles based home builder and other land holdings and investment properties in the Chicago, Los Angeles, Seattle and Florida areas. In real estate today you have to have the flexibility of a nine-iron.

First City Developments Ltd. is a fully diversified real estate company engaged in land servicing and development, home building and condominium conversion, income property development and income property management. Its First City Investments Division enters into interim and equity financing arrangements with a variety of real estate developers. Geographically it is equally diversified. In addition to its investments in the United States it is active coast to coast in Canada in such major centres as Vancouver, Edmonton, Toronto and Halifax. Sometimes it appears that the word "developments" also refers to the aching feet that come from covering the territory.

First City Developments Corp.

In last year's annual report we pointed out that finance is not about money. It's about people. So it doesn't matter where the people are located. First City Developments Corp. is the company's

U.S. holding company. All U.S. operations are owned directly or indirectly through this entity. It directly holds land and condominium projects in the Seattle and San Francisco areas. During the year this company brought approximately 265 lots to the marketplace of which 140 are available for our 1980 sales program. In addition, it has approximately 700 acres of land in the Seattle area which are being registered. During the year the company entered into a joint venture agreement to purchase a 50% interest in a 240 unit apartment complex which it plans to register and sell as condominiums during the latter part of 1980 and early 1981.

Metropolitan Development Corporation

A study of economics usually reveals that the best time to buy anything is last year. So last year we acquired Metropolitan Development Corporation, a move which represented the single most important event of the year. This acquisition brings into the group a valuable package of land assets consisting of approximately 1,600 acres in Oak Park, Ventura County, California, 250 acres in Las Vegas, Nevada, and 40 acres in Phoenix, Arizona. In addition, and more importantly, the acquisition brings an experienced management team with the kind of know-how that doesn't come from books: the ability to build homes on a profitable basis. The Oak Park community when completed will consist of over 5,600 units serviced and/or built by Metropolitan, of which 1100 units have been completed and sold to date.

First City Equities

It's little wonder that FCE's calendar often reads "No emergencies this week; my schedule is full." The company completed and fully leased a 103,000 square foot shopping center, Meridian Mall, in Puyallup, Washington and has commenced planning and pre-leasing of a 51,000 square foot expansion to the centre. In addition to this development, active planning is underway for a major development at Madison and Spring Streets in downtown Seattle. Possible plans include a 20 storey luxury condominium project. An 81,000 square foot neighbourhood shopping centre in Post Falls, Idaho is currently being pre-leased and construction is expected to commence in Spring 1980. During the year the partnership also acquired 94 acres of industrial property in Renton, outside Seattle, which it plans to service and develop over the next two to three years. In reference to time, First City Equities' attitude is clearly: "If it can't be done, don't interrupt the person who's doing it."

First City Developments Corp. of California

This company, incorporated during the year, holds development projects in the state of California. It has acquired a 50% interest in a 150

The best thing about the future is that it comes only one day at a time.

Abraham Lincoln



Timing is the rhythm, beat and pace found in music.

apartment complex which will be registered as a condominium for future sales. In addition, it has entered into two other joint ventures in which it has a substantial interest. The first is Indian Hills, a 235 acre land development in the Simi Valley, outside Los Angeles. Plans call for building approximately 800 single family units on this property over the next few years. The second is for the development of a 400,000 square foot office park staged over the next four years, off the San Diego Freeway in Huntington Beach, California. Yesterday's conventional wisdom indicated that in real estate one learned best in the streets. In California today you have to include freeways.

Citrust Development Company

This company was incorporated during the year for the acquisition of a 512 unit apartment complex. After its acquisition the company applied for and received the right to convert the complex to a condominium. Accordingly, the project has been split into two phases—90 units of the 312 units in Phase One were sold at year end. It is expected that Phase One will be completed during 1980, at which time Phase Two will commence. The future tense of apartments is very often "condominium."

Villa Properties Limited

In the real estate business, if you have to run away from homes, here's the way to do it: during the year Villa Properties completed construction and leased its 100,000 square foot shopping center, Clayton Park, in Halifax, Nova Scotia. It acquired some excellent commercial acreage in West Palm Beach, Florida, which it intends to develop into a 100,000 square foot shopping centre in 1980-81. During the year the company also brought to completion a number of small strip shopping centres and freestanding restaurants, totalling 40,000 square feet.

Consolidated Building Division

The Consolidated Building Division of the company continued to bring to market its long term land, primarily consisting of Heart Lake, a suburban development in the Toronto area. Sometimes, as in the classic "Acres of Diamonds" story, the treasure is in your own backyard.

Outlook for 1980

The rise of interest rates during 1979 has caused a broad based slowdown in the real estate industry. We expect a period of sluggish sales and postponed housing starts until interest rates drop. Obviously our own approach to investment will be cautious.

One certain direction FCD will take is the acquisition of apartment complexes for condominium conversion in urban centres to take advantage of the movement of people to these areas as a result of rising energy and transportation costs.

No matter what the present harsh realities, our view of the long term is an optimistic one. As Emerson said it, "Can anyone remember when the times were not hard and money not scarce?" "A lot" is First City Developments' favorite number and word. A lot is our profit and work objective now and in the future.

First City Investments

The aircraft designed by Leonardo da Vinci couldn't fly; the fault was not in the idea, it was in the power plant. That is an accurate and brief description of the reason First City Investments has been such a successful force in its industry and a significant profit contributor.

"FCI" has demonstrated in one multi-million dollar transaction after another that it can seek out good real estate ideas and then supply the power plant—the energy, the skill, and the money to make them fly. A division of First City Developments Ltd., First City Investments concentrates in four main areas: conventional interim real estate financing; joint ventures or equity financing; direct real estate development; and merchant banking.

Over the course of a year each potential project demands a keen sense of timing. Careful judgement must be exercised to balance the time required to ensure minimal risk exposure and zero mistakes against the knowledge that speed can make or break a transaction. That is where FCI's comparative compactness is an advantage. Size isn't everything. Precision, flexibility and the ability to come up with unique solutions to complicated transactions are more important.

Here is a quick rundown of the divisional performance for 1979. Including business generated for the trust company, more than \$80,000,000 of new loan commitments (including joint venture loans) were made. In addition to volume increases, there was substantial growth in the number of joint venture loans in 1979. It's gratifying to note that much of this increase came from existing customers.

Operational or Administrative High Points:

- ☐ increased emphasis was given to the direct real estate development division of FCI both in the Seattle area where activity had commenced in 1978 and, also, closer to home in British Columbia
- ☐ several large joint venture loans were made in the western U.S. and in western Canada
- ☐ we opened a branch to pursue joint venture loans and direct development opportunities in the Toronto area
- ☐ we expanded our administrative staff to handle increased volume and additional activities from real estate development business
- ☐ the overall portfolio of FCI increased by approximately 67% over 1978 levels.

Showing up is 80% of life.

C. K. Miller

So far we've been talking in the past and present tenses. What of the near future, 1980? The dire predictions of an economic slowdown notwithstanding, FCI doesn't anticipate any problem in more than matching last year's levels of activity in all categories. Dealing with ideas as much as we do, we approach the new year with a certain amount of optimism. For we know from experience that ideas are funny things; they never work unless you do.

Finance and Administration

Running a trust company can be like threading beads on a string with no knot at the end—unless you have a first class Finance and Administration Division.

Their job? To establish order, ensure financial and budgetary controls, provide information, analyze, manage paper flow, and provide customer service. That's a large knot.

Time is nature's way of keeping everything from happening at once. In a business like ours, it does anyway and the measure of our success is how we cope. The lowest acceptable goals are speed and accuracy. Henry Wise Wood must have had our work mandate in mind when he stated: "we have lots of time to make everything but mistakes." Mindful of the high expectations of our customers, we must make haste slowly in responding to inquiries, issuing cheques to depositors and suppliers or in maintaining customer and corporate records.

Over the past year we've continued to grow with such velocity that it has been a challenge to make sure that our financial and administrative reach was exactly in keeping with our grasp. That means planning and flexibility. So although the Finance and Administration group's stock in trade is details, it is never *tedium protractum* in their work spaces.

In the area of computers, the greatest business breakthrough since lunchtime, we added on-line terminals to our computer system at key points across the country, enabling far-off branch staff access to instant information. We have committed for an additional computer, the IBM 4331, for mid 1980 delivery which will further expand our services to the branches and give us the capacity to meet the next five years' growth.

During 1979 the Mortgage Administration group introduced to our customers a system of pre-authorized automatic mortgage payments called "Surepay": a single authorization slip replaces the inconvenient need for mailing a batch of post-dated cheques. The response was so good that we have adopted this approach on a permanent basis.

Throughout 1980 we plan to continue the test-marketing of various direct mail programs, started in 1979, designed to increase the mortgage renewal rate of existing mortgage customers. One such effort calls for recognizing good mortgage customers by offering a choice of

"thank you" gifts. This program, recently introduced, will be carefully monitored as to its effect on the percentage ratio of renewal. Whatever the specific results, we are convinced that one of the keys to continued company growth is in good and regular communication with our existing customers. Sometimes the least noticed assets of any service company are the customers themselves.

For all this talk of shucking off green visors in favour of computers, of sophisticated auditing procedures, of data piled upon data, the backbone of the division is its view of the real center in any successful organization: good people with common sense who understand that you are doing your best only when you try to improve what you are doing; and that you will never find time for anything. If you want time, you must make it.

Marketing Services

Confidential to advertisers:

Tell me quick
Tell me true
Or else, my love,
Good bye to you . . .

Those four Ogden Nash-like lines sum up the time challenges underlying most of what the Marketing Services group does. Its task is to help the various sales organizations of First City to sell their services through marketing communications tools such as advertising, sales promotion, merchandising and public relations. The target audiences are the general public, existing customers and *our own* employees. In order to ensure consistency in the projection of the company personality, Marketing Services has responsibility for all visual components of the company's image; including architectural design, interiors, graphics and signage.

What is advertising? One easy answer is it's the art of making new things familiar and familiar things new. The most straightforward definition of advertising we have found is: introducing yourself and making yourself unforgettable to one person at a time.

Among the 1979 projects that required this approach were two branch openings in cities new to First City: Windsor and London. Overwhelming public response and continuing growth in deposit bases in both cities underscored our success because we made a favourable first—and lasting impression. One to one.

Other projects in 1979 included support of the daily, one-to-one and one-by-one sales efforts of our line personnel through unique, high quality sales and promotional aids. Brochures, giveaways, point of sale materials, the annual report, direct mail pieces, advertising—all consistently reflect our distinctive corporate personality.

A strengthened and expanded internal communications program in 1979 contributed much to our stated management objectives to

expand awareness of and active participation in corporate growth among all employees. An employee program inviting constructive ideas for making or saving money on the job continues to generate innovations while contributing to morale and the quality of the work environment.

Our two-year-old internal publication, *First City Voice*, earned the B.C. top Award of Excellence from the International Association of Business Communicators for 1979.

In 1980 we plan to accelerate our public and media relations activities, while continuing to provide believable, effective advertising. One special event will be our move into the newly-acquired First City Building in Vancouver.

We are not alone in doing these things. The financial marketplace today is a clamorous one, companies jockeying for position, shouting for attention. Much of what is being done in their competitive marketing, in their advertising, is missing something. What has been left out is the "i." Not just a lack of ideas, imagination and ingenuity, but a more serious oversight: the *i* as in the personal pronoun, "I." What we have been trying to do in our approach to our customers and potential customers is say something human about ourselves as individuals by talking to the *individual* in our audiences.

In the year ahead, 1980, Marketing Services' first obligation is to sell. We can do that best by remembering time after time, what we said in last year's report: we must be sure that our audiences, external and internal, know not only where our minds are but where our hearts are.

First City Capital Ltd.

Inflation. What is this rapacious thing? For years it crept along silently like a cat, barely noticed. Then it grew bolder but remained more or less friendly. Now the beast is easily visible, a killer, public enemy number 1. How did this monster get loose? What and who does it feed on? How can it be tamed? Just what is this inflation anyway, that devours chequing accounts, capital reserves and peace of mind? It would take volumes to define it completely. This is not the time or space.

But it is important to identify inflation as one of the reasons that First City Capital, the leasing and term lending arm of First City Trust, has come so far in so short a time. Inflation, high interest rates, a money-short economy, all have combined to make First City Capital's equipment leasing services grow at a rapid clip.

In the world of business we are seeing companies muddling towards frugality, enduring a new poverty. More and more solid companies find themselves close to running on empty as they try to battle the high cost of running a business while fending off competitors. Leasing's appeal in these hard pressed times is considerable: it

- ☐ is an *available* alternate source of capital funds
- ☐ conserves capital
- ☐ preserves valuable credit lines

- ☐ allows use of equipment without tying up funds
- ☐ offers long term funds at a fixed or floating rate
- ☐ helps expand limited budgets
- ☐ is a hedge against inflation and obsolescence.

This falls short of adequacy in describing the advantages of leasing. There's a lot more we could say. But it does point up the timeliness of this relatively new financial tool.

How did First City Capital fare in 1979? Two key figures: record sales volumes in excess of \$33 million; and receivables now at over \$50 million. Other 1979 achievements include the opening of a branch in Montreal and completion of several new vendor programs in the word processing, office equipment and computer fields.

At the beginning of any year, in a sales-oriented organization, the name of the game is tag and we're always "it." We wouldn't want it to be any different this year despite the talk of an economic downturn. Our view of 1980 is generally optimistic. We look at changes in the Bank Act as generally good for the leasing industry. The government's desire to provide increased support for small and medium-sized businesses should encourage capital investment.

Leasing as a means of finance has come of age; latest studies show that over 70% of Canadian businesses lease. First City Capital's expansion plans for 1980 will be tempered by general economic conditions. New branch locations under consideration include Quebec City, Halifax and Hamilton.

A lease finance organization is, in a real sense selling time. Our customers lease equipment and buy time. Leasing is an exquisite use of time in order to gain specific business benefits. So, like our other divisional and subsidiary components, First City Capital has an easy and natural relationship with time, particularly in the quality and skill of our people. Our branch managers and various support groups across the country believe that the finest of pleasures is action. Just as their service is geared for an active, not passive clientele, they pride themselves on getting things done. Fast. There's a common pride in their effort to exercise moderation in all things, including moderation.

Time. One thinks immediately of its passage and of change. Business success 75 years ago was symbolized by shoe leather, green eye shades—and something extra. Today, success is symbolized by the automobile and the computer—and something extra. That something extra has not changed. It is character, know-how, and drive. Our leasing people have it.

Footprints in the sands of time are not made by sitting down.

Hal Stebbins

How Long Does it Take?

Duration is notoriously difficult to judge. Sometimes whole hours streak past out of our grasp. Then again sometimes minutes crawl by so slowly that each passing second announces its presence. Time is subjective. We understand it best by relating to how long things take. Here are some examples:

☐ A baby blue whale up to the age of seven months will gain 200 lbs per day ☐ The Titanic sank four hours after ramming an iceberg on April 15, 1912

First City
Financial
Corporation Ltd.

Consolidated
Statement
of Income

For the Year Ended
December 31, 1979
(with prior year's
figures for comparison)

	1979	1978
Revenue:		
Income from investments	\$ 82,120,000	\$58,547,000
Real estate sales and property rentals	120,975,000	20,470,000
Fees and other income	9,977,000	8,165,000
Total revenue	213,072,000	87,182,000
Expenses:		
Interest on customer deposits	69,999,000	44,156,000
Bank, term debt and other interest	13,854,000	5,516,000
Cost of real estate sold and expenses of rental properties (excluding interest and depreciation)	93,037,000	15,064,000
Salaries and employee benefits	9,418,000	5,641,000
Operating and administration	13,428,000	6,473,000
Depreciation and amortization	1,825,000	702,000
Total expenses	201,561,000	77,552,000
Income Before Income Taxes	11,511,000	9,630,000
Provision for Income Taxes (Note 12):		
Current	820,000	(211,000)
Deferred	1,576,000	2,998,000
Total provision for income taxes	2,396,000	2,787,000
Income Before Minority Interest	9,115,000	6,843,000
Minority Interest (Note 9)	2,176,000	1,805,000
Net Income for the Year	\$ 6,939,000	\$ 5,038,000
Earnings Per Share (Note 14)	\$ 2.48	\$ 1.80

The accompanying notes are an integral part of the consolidated financial statements.

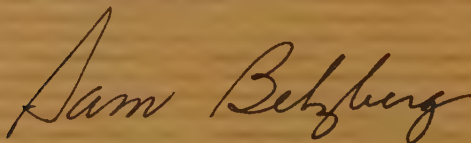
First City
Financial
Corporation Ltd.

Consolidated
Balance
Sheet as at
December 31, 1979

(with prior year's
figures for
comparison)

Assets	1979	1978
Cash and Short Term Investments	\$ 35,232,000	\$ 22,452,000
Securities (Note 3)	139,232,000	99,530,000
Mortgages	627,083,000	496,017,000
Secured Personal Loans	21,864,000	8,325,000
Commercial Loans and Equipment Lease Receivables	72,282,000	36,002,000
Real Estate (Note 4)	275,482,000	138,394,000
Accounts Receivable and Other Assets	29,773,000	18,070,000
Fixed Assets (Note 5)	6,273,000	2,231,000
Goodwill	5,228,000	5,418,000
Total	\$1,212,449,000	\$826,439,000

Approved by the Board:



Samuel Belzberg
Director



David A. Croll, Q.C.
Director

Liabilities and Shareholders' Equity		1979	1978
Customer Deposits	\$	821,986,000	\$612,045,000
Bank Indebtedness (Note 6)		188,703,000	66,249,000
Accounts Payable and Accrued Liabilities		31,325,000	21,458,000
Income Taxes Payable		761,000	1,655,000
Due to Related Parties (Note 7)		33,104,000	1,000,000
Term Debt (Note 8)		58,070,000	50,337,000
Deferred Income		1,313,000	1,855,000
Deferred Income Taxes		17,003,000	15,611,000
Minority Interest (Note 9)		22,514,000	24,735,000
		1,174,779,000	794,945,000
Shareholders' Equity:			
Share capital (Note 10)		13,714,000	13,653,000
Contributed surplus		2,591,000	2,574,000
Retained earnings		21,365,000	15,267,000
		37,670,000	31,494,000
Total	\$	1,212,449,000	\$826,439,000

The accompanying notes are an integral part of the consolidated financial statements.

First City
Financial
Corporation Ltd.

**Consolidated
Statement of
Retained Earnings**

**For the Year Ended
December 31, 1979**
(with prior year's
figures for
comparison)

	1979	1978
Retained Earnings at Beginning of the Year	\$15,267,000	\$10,931,000
Net Income for the Year	6,939,000	5,038,000
	22,206,000	15,969,000
Dividends on Common Shares	841,000	671,000
Expenses of Issue of Preferred Shares by a Subsidiary Company	—	31,000
	841,000	702,000
Retained Earnings at End of the Year	\$21,365,000	\$15,267,000

The accompanying notes are an integral part of the consolidated financial statements.

**To the Shareholders of
First City Financial Corporation Ltd:**

We have examined the consolidated balance sheet of First City Financial Corporation Ltd. as at December 31, 1979 and the consolidated statements of income and retained earnings and of changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1979 and results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Deloitte Haskins & Sells
Chartered Accountants

Vancouver, British Columbia
March 5, 1980

First City
Financial
Corporation Ltd.

Consolidated
Statement
of Changes in
Financial Position

For the Year Ended
December 31, 1979
(with prior year's
figures for
comparison)

	1979	1978
Sources of Cash:		
From operations	\$ 12,332,000	\$ 9,134,000
Increase in customer deposits	209,941,000	186,504,000
Bank loans	122,454,000	11,622,000
Increase in accounts payable and accrued liabilities	6,245,000	5,967,000
Issue of common shares	78,000	33,000
Due to related parties	32,104,000	—
Issue by subsidiary of preferred shares	—	14,485,000
Term debt—net of repayments	—	2,170,000
Other	—	1,061,000
Total	383,154,000	230,976,000
Uses of Cash:		
Net investment in:		
Securities	39,702,000	46,206,000
Mortgages	131,066,000	116,250,000
Secured personal loans	13,539,000	1,327,000
Commercial loans and equipment lease receivables	36,280,000	17,579,000
Real estate	87,619,000	30,682,000
Increase in accounts receivable and other assets	9,833,000	9,070,000
Dividends	841,000	671,000
Dividends paid to minority interest	2,033,000	1,726,000
Purchase of additional shares of First City Trust Company	572,000	182,000
Purchase of net assets of subsidiaries—less cash acquired	29,499,000	15,322,000
Redemption of preferred shares by subsidiary company	1,782,000	149,000
Decrease in income taxes payable	894,000	525,000
Fixed assets	4,834,000	1,253,000
Retirement of:		
Due to related parties	—	1,600,000
Term debt—net of fundings	11,338,000	674,000
Other	542,000	—
Total	370,374,000	243,216,000
Increase (Decrease) in Cash for the Year	12,780,000	(12,240,000)
Cash and Short Term Investments at Beginning of the Year	22,452,000	34,692,000
Cash and Short Term Investments at End of the Year	\$ 35,232,000	\$ 22,452,000

The accompanying notes are an integral part of the consolidated financial statements.

Notes to the
Consolidated
Financial
StatementsDecember 31,
1979**1. Summary of Significant Accounting Policies:***Basis of consolidation*

The consolidated financial statements include the accounts of the company and all of its subsidiaries, all of which are 97% owned:

First City Trust Company

First City Capital Ltd.

First City Developments Ltd. and its wholly-owned subsidiaries

The results of operations of the subsidiaries are included in the consolidated financial statements from the respective dates of acquisition or incorporation. Joint ventures and partnerships of subsidiary companies are accounted for using the proportionate consolidation method whereby the pro rata share of each of the assets, liabilities, revenues, and expenses of each venture is included in the consolidated financial statements (Note 11).

Securities valuation

Bonds are carried at amortized cost and stocks at cost.

Loans valuation

Mortgages, commercial and secured personal loans are carried at cost plus accrued interest, less repayments and provisions for losses.

Equipment lease receivables including secured finance contracts are carried at cost, net of unearned income and provisions for losses. These receivables are recorded in accordance with the financing method of accounting under which income is recognized on the sum-of-the-digits method. Any gains resulting from the residual values of leased assets are reflected in earnings when realized.

Real estate

Income properties are carried at cost, including carrying costs capitalized during the development period.

A property is deemed completed and operating when 70% rental occupancy is achieved subject to a maximum reasonable time period.

Housing completed under development (including condominium housing) is valued at the lower of cost and estimated net realizable value.

Land, other than held for income property development, is carried at the lower of cost and estimated net realizable value. Land held for income property development is carried at cost.

Foreclosed property is carried at estimated realizable value.

The company capitalizes direct carrying costs related to real estate projects including specific interest, property taxes, legal fees, and those general and administrative expenses that may be clearly identified with projects. In addition, non-specific interest is allocated to projects in such a manner that interest is capitalized on the company's net equity in real estate projects limited by the total amount of interest incurred. Net rentals from an income property under development are capitalized until such time as the property is deemed operating.

Revenue from the sale of housing units is recognized upon meeting the following criteria:

- ☐ construction is completed;
- ☐ the unit is accepted by the purchaser; and
- ☐ the purchaser assumes existing debt obligations related to the unit.

Revenue from the sale of land and income properties is recognized when all material requirements of the sale agreement have been met, when risks of ownership have been passed to the purchaser, and when a minimum of 15% of the purchase price has been received.

Foreign exchange translation

Foreign currency assets and liabilities are translated at the current rate of exchange prevailing at the balance sheet date for amounts due within one year and, for amounts not due within one year, at historic exchange rates. Revenues and expenses have been translated at the average monthly rate of exchange.

Mortgage fees and other income

Mortgage processing fees are recognized as income by the sum-of-the-digits method over the term of the related mortgage to a maximum of five years. If the term of the mortgage is one year or less, fees are recognized as income quarterly in equal amounts. Other mortgage fees and other income are included in income as received.

Depreciation and amortization

Operating income properties are depreciated principally on a 4%, forty-year sinking fund basis. The depreciation charge, which increases annually, consists of a fixed annual sum together with an amount equivalent to interest compounded at the rate of 4% per annum.

Fixed assets are depreciated on the straight-line basis over 10 to 60 years; leasehold improvements are amortized on a straight-line basis over the terms of the related leases.

Goodwill

Goodwill arising on the acquisition of subsidiaries is being amortized on a straight-line basis over 20 years except for an amount of \$1,834,000 relating to the 1970 acquisition of First City Trust Company which is not being amortized.

2. Acquisition:

Effective March 16, 1979 a subsidiary acquired all of the outstanding shares of Metropolitan Development Corporation for cash of \$31,175,000.

The acquisition has been accounted for by the purchase method and the following net assets were acquired:

Total assets	\$67,013,000
Total liabilities	35,838,000
	\$31,175,000

The results of operations of the subsidiary have been included in the statement of income from the date of acquisition to November 30, 1979, the year-end of First City Developments Ltd. and its subsidiaries.

3. Securities:

	1979	1978
Carrying values:		
Government bonds	\$ 40,181,000	\$28,106,000
Stocks	99,051,000	71,424,000
	\$139,232,000	\$99,530,000
Market values:		
Government bonds	\$ 36,248,000	\$25,055,000
Stocks	97,773,000	73,731,000
	\$134,021,000	\$98,786,000

4. Real Estate:

	1979	1978
Real estate equity financing receivables	\$ 26,785,000	\$ 13,633,000
Land under development and held for sale	109,834,000	64,191,000
Housing completed and under development	53,087,000	11,963,000
Foreclosed property	8,417,000	4,360,000
Income properties:		
Under development	8,475,000	2,296,000
Operating—at cost less accumulated depreciation of \$2,980,000 (1978—\$2,770,000)	68,884,000	41,951,000
	\$275,482,000	\$138,394,000

Depreciation on income properties charged to income for the year amounted to \$843,000 (1978—\$355,000).

5. Fixed Assets:

These assets are stated at cost less accumulated depreciation and amortization of \$2,019,000 (1978—\$1,483,000). Depreciation and amortization charged to income amounted to \$836,000 (1978—\$397,000).

6. Bank Indebtedness:

	1979	1978
On stock investments	\$ 19,260,000	\$ 1,120,000
On finance receivables	3,732,000	1,357,000
On mortgage receivables	2,047,000	345,000
On income properties:		
Operating	27,148,000	19,442,000
Under development	2,620,000	—
On housing completed and under development	29,372,000	2,884,000
On land under development and held for sale	15,393,000	1,102,000
General	89,131,000	39,999,000
	\$188,703,000	\$66,249,000

Bank loans bear interest rates from 9% to prime bank rate plus 2% and on a \$4,926,000 loan in the United States at prime bank rate plus 3½%.

The stock investments loan is secured by specific stocks and the finance receivables loan is secured by a \$8,000,000 floating charge debenture on the receivables portfolio.

Certain loans are secured by a demand debenture of \$100,000,000, secured by a first floating charge over all the assets of a subsidiary company, by fixed charges on specific income properties and a mortgage of an interest in a joint venture aggregating \$45,046,000 and by a general assignment of book debts. In addition, other loans are secured by a specific charge on real estate assets totalling \$103,364,000.

7. Due to Related Parties:

	1979	1978
Bel-Fran Investments Ltd.	\$31,573,000	\$1,000,000
Director	1,531,000	—
	\$33,104,000	\$1,000,000

The amounts have no specific terms of repayment and bear interest at a weighted average rate of approximately 15¾% at December 31, 1979.

8. Term Debt:

	1979	1978
Secured:		
On operating income properties	\$22,702,000	\$ 9,318,000
On housing completed and under development	10,594,000	6,299,000
On land under development and held for sale	18,299,000	27,575,000
Finance receivables—secured debentures	571,000	643,000
Unsecured:		
Subordinated notes, Series A	3,500,000	4,000,000
Sinking fund debentures, Series A	2,404,000	2,502,000
	\$58,070,000	\$50,337,000

Term debt is secured by mortgages and assignment of finance receivables, and bears interest at varying fixed rates from 7% to 12½%.

Debt on housing completed and under development will be assumed by the purchasers of such units or discharged out of sale proceeds.

Approximate principal repayments on remaining term debt are:

1980	\$10,330,000
1981	5,154,000
1982	4,520,000
1983	2,084,000
1984	6,394,000
Thereafter	18,994,000
	\$47,476,000

9. Minority Interest:

	1979	1978
Minority interest in a subsidiary company:		
Common shareholders	\$ 516,000	\$ 416,000
Preferred shareholders	21,998,000	24,319,000
	\$22,514,000	\$24,735,000

10. Share Capital:*Preferred shares*

The company is authorized to issue 1,600,000 redeemable (for the amount paid thereon) exchangeable preferred shares of no par value. No preferred shares are outstanding.

Common shares

The company is authorized to issue 8,400,000 common shares of no par value, with a maximum price of \$6.25 each.

Changes in the issued common shares during the year were as follows:

	Number of Shares	Par Value	Contributed Surplus
Balance December 31, 1978	2,795,588	\$13,653,000	\$2,574,000
Exercise of warrants	9,650	61,000	17,000
Balance December 31, 1979	2,805,238	\$13,714,000	\$2,591,000

Share purchases warrants

The holders of 9% sinking fund debentures, Series A, are entitled to purchase 100 common shares of the company, for each \$1,000 debenture held, at \$8.00 per share until the expiry date, July 15, 1982.

Common shares are reserved for issue in respect of:

A share purchase warrant for an officer permitting the purchase of shares for \$8.00 to July 15, 1982, at which time the warrant expires. The number of shares that may be purchased in any year is limited	12,000
Purchase warrants issued in conjunction with the 9% sinking fund debentures, Series A	113,050
	125,050

11. Joint Ventures:

These consolidated financial statements include a subsidiary company's proportionate share of real estate joint venture and partnership assets, liabilities, revenues and expenses as follows:

	1979	1978
Assets	\$60,781,000	\$40,334,000
Liabilities	40,728,000	20,642,000
Revenues	13,023,000	2,367,000
Expenses	12,447,000	2,111,000

In certain joint ventures and partnerships the subsidiary company is contingently liable for its partners' portion of liabilities. The amount of this contingent liability at November 30, 1979 is approximately \$41,188,000 against which the company would have claims on the ventures' related assets which in total are sufficient to meet these obligations.

12. Income Taxes:

A portion of the company's income is tax-exempt dividend income; accordingly, income taxes as provided in the consolidated statement of income are less than the amount obtained by applying statutory tax rates to income from operations before income taxes.

13. Interest Expense:

In respect of the subsidiary companies' real estate development operations, interest accrued during the year, for the periods commencing from acquisition dates, amounted to \$23,445,000 of which \$10,539,000 was charged to operations with the remaining amount being capitalized. Capitalized interest is charged to earnings during the period and in future periods, as part of the cost of real estate sold and through the depreciation of income properties.

14. Earnings Per Share:

Earnings per share have been calculated on the weighted average number of shares outstanding during each year. Fully diluted earnings per share have been calculated on the assumption that share purchase warrants were exercised at the beginning of the year.

Earnings in the amount of \$59,000 net of income taxes were imputed on the assumed funds derived from share purchase warrants at an assumed rate of 12% before tax (1978 —12% and \$63,000).

	1979	1978
Fully diluted earnings per share	\$2.39	\$1.74

15. Commitments:

The company's premises and certain equipment are held under long-term leases extending for varying terms up to 2059. The aggregate amount of rentals paid during the year was \$1,067,000. The aggregate rentals payable under all leases currently in force during the next five years is \$4,366,000.

16. Remuneration of Directors and Senior Officers:

The aggregate direct remuneration paid or payable by the company and its subsidiaries during the year to directors and senior officers of the company was \$473,000.

17. Contingent Liabilities:

A subsidiary company involved in real estate development has lodged letters of credit aggregating \$8,451,000 with municipalities and utilities as collateral for the fulfilment of obligations under certain subdivision agreements.

18. Comparative Figures:

Certain of the 1978 figures provided for the purpose of comparison have been reclassified to conform to the classifications used in the current year.

**First City Financial
Corporation Ltd.
and Subsidiaries**

Five-Year Summary

(In thousands of dollars except for per share figures)

	1979	1978	1977	1976	1975
Balance Sheet					
Assets					
Cash and Short Term Investments	\$ 35,232	\$ 22,452	\$ 34,692	\$ 19,399	\$ 9,105
Securities	139,232	99,530	53,324	52,596	47,622
Mortgages	627,083	496,017	372,538	292,131	220,021
Secured Personal Loans	21,864	8,325	6,998	5,356	789
Commercial Loans and Equipment					
Leases	72,282	36,002	18,424	16,247	15,081
Real Estate	275,482	138,394	12,815	3,088	3,830
Other Assets	41,274	25,719	6,883	7,354	6,007
	\$1,212,449	\$826,439	\$505,674	\$396,171	\$302,455
Liabilities and Equity					
Deposits	\$ 821,986	\$612,045	\$425,541	\$338,916	\$255,381
Other Liabilities	255,206	92,217	26,397	26,023	21,606
Term Debt	58,070	50,337	13,267	9,806	9,321
Total Liabilities	1,135,262	754,599	465,205	374,745	286,308
Deferred Income Taxes	17,003	15,611	3,865	3,425	3,117
Minority Interest	22,514	24,735	9,478	3,605	1,329
Shareholders' Equity	37,670	31,494	27,126	14,396	11,701
	\$1,212,449	\$826,439	\$505,674	\$396,171	\$302,455
Income Statement					
Revenue:					
Income from Investments	\$ 82,120	\$ 58,547	\$ 44,252	\$ 36,412	\$ 29,029
Fees and Other	9,977	8,165	7,927	6,589	4,667
Real Estate Revenue	120,975	20,470	—	—	—
Total Revenue	213,072	87,182	52,179	43,001	33,696
Expenses:					
Interest	83,853	49,672	34,562	29,305	22,991
Salaries	9,418	5,641	3,452	2,737	2,513
Real Estate Costs	93,037	15,064	—	—	—
Other Expenses	17,429	8,980	7,168	5,696	4,020
Total Expenses	203,737	79,357	45,182	37,738	29,524
Income Taxes	2,396	2,787	2,858	2,366	2,248
Net Income	\$ 6,939	\$ 5,038	\$ 4,139	\$ 2,897	\$ 1,924
Per Common Share:					
Earnings	\$ 2.48	\$ 1.80	\$ 1.76	\$ 2.03	\$ 1.34
Dividends	\$ 0.30	\$ 0.24	\$ 0.20	\$ 0.18	\$ 0.18
Book Value	\$ 13.43	\$ 11.26	\$ 9.72	\$ 9.28	\$ 7.65

First City
Trust
CompanyConsolidated
Statement
of IncomeFor the year ended
December 31, 1979
(with prior year's
figures for
comparison)

	1979	1978
Revenue:		
Income from investments	\$ 80,833,000	\$55,735,000
Real estate sales and property rentals	120,975,000	20,470,000
Fees and other income	7,896,000	4,275,000
Total revenue	209,704,000	80,480,000
Expenses:		
Interest on customer deposits	69,999,000	44,156,000
Other interest	11,604,000	3,606,000
Cost of real estate sold and property rental expenses (excluding interest and depreciation)	93,037,000	15,064,000
Salaries and employee benefits	9,368,000	5,417,000
Operating and administration	13,088,000	5,037,000
Depreciation and amortization	1,788,000	671,000
Total expenses	198,884,000	73,951,000
Income From Operations Before Income Taxes	10,820,000	6,529,000
Provision for Income Taxes (Note 13):		
Current	784,000	(1,746,000)
Deferred	1,554,000	2,992,000
Total provision for income taxes	2,338,000	1,246,000
Income Before Minority Interest	8,482,000	5,283,000
Minority Interest (Note 10)	156,000	—
Net Income for the Year	\$ 8,326,000	\$ 5,283,000
Earnings Attributable to Preferred Shares	\$ 2,056,000	\$ 1,708,000
Earnings for Common Shareholders	\$ 6,270,000	\$ 3,575,000
Earnings Per Common Share	\$ 5.53	\$ 3.15

The accompanying notes are an integral part of the consolidated financial statements.

First City
Trust
Company

Consolidated
Balance
Sheet as at
December 31, 1979

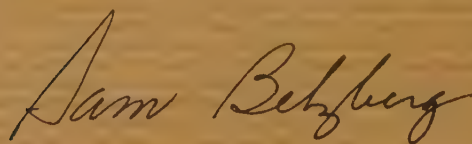
(with prior year's
figures for
comparison)

Assets	1979	1978
Cash and Bank Deposit Receipts	\$ 19,253,000	\$ 22,392,000
Short Term Notes	15,887,000	—
Securities (Note 3)	111,127,000	98,447,000
Accounts Receivable	22,885,000	14,523,000
Secured Personal Loans	21,864,000	8,325,000
Commercial Loans and Equipment Lease Receivables	72,282,000	36,002,000
Mortgages	619,163,000	493,898,000
Real Estate (Note 4)	275,482,000	138,394,000
Fixed Assets (Note 5)	6,054,000	2,058,000
Other Assets	6,525,000	3,285,000
Goodwill	3,387,000	3,577,000
Total	\$1,173,909,000	\$820,901,000


Approved by the Board:

Director

Director



Samuel Belzberg
Chairman of the Board



Arnold H. Jeffrey
President

Liabilities and Shareholders' Equity	1979	1978
Customer Deposits:		
Demand and short term deposits	\$ 176,263,000	\$113,207,000
Guaranteed investment certificates	645,723,000	498,838,000
	821,986,000	612,045,000
Bank Indebtedness (Note 6)	162,597,000	64,795,000
Accounts Payable and Accrued Liabilities	26,410,000	21,811,000
Income Taxes Payable	761,000	1,655,000
Due to Related Parties (Note 7)	39,511,000	10,530,000
Term Debt (Note 8)	52,166,000	43,835,000
Subordinated Notes (Note 9)	3,500,000	4,000,000
Deferred Income	1,311,000	1,853,000
Deferred Income Taxes	16,834,000	15,465,000
Minority Interest (Note 10)	1,647,000	2,632,000
	1,126,723,000	778,621,000
Shareholders' Equity:		
Capital stock (Note 11):		
Preferred shares	22,706,000	23,514,000
Common shares	2,268,000	2,268,000
Contributed surplus, general reserve and retained earnings	22,212,000	16,498,000
	47,186,000	42,280,000
Total	\$1,173,909,000	\$820,901,000

The accompanying notes are an integral part of the consolidated financial statements.

First City
Trust
Company

Consolidated
Statement of
Contributed Surplus,
General Reserve and
Retained Earnings

For the year ended
December 31, 1979
(with prior year's
figures for
comparison)

	1979	1978
Contributed Surplus (Note 11)	\$ 3,489,000	\$ 3,478,000
General Reserve:		
Balance at beginning of the year	2,000,000	1,750,000
Transfer from retained earnings	250,000	250,000
Balance at end of the year	2,250,000	2,000,000
Retained Earnings:		
Balance at beginning of the year	11,020,000	8,294,000
Net income for the year	8,326,000	5,283,000
	19,346,000	13,577,000
Transfer to general reserve	250,000	250,000
Dividends:		
Common	567,000	567,000
Preferred	2,056,000	1,708,000
Preferred share issue expenses	—	32,000
Balance at end of the year	16,473,000	11,020,000
Total	\$22,212,000	\$16,498,000

The accompanying notes are an integral part of the consolidated financial statements.

Opinion of Independent Accountants

To the Shareholders of First City Trust Company:

We have examined the consolidated balance sheet of First City Trust Company as at December 31, 1979 and the consolidated statements of contributed surplus, general reserve and retained earnings, income and changes in cash for the year then ended, and have obtained all the information and explanations we have required. Our examination was made in accordance with generally accepted auditing standards, and accordingly included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. As part of our examination we verified the cash and securities of the company.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the company, these consolidated financial statements present fairly the financial position of the company as at December 31, 1979 and the results of its operations and the changes in its cash for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

All transactions of the company that have come within our notice have been within the powers of the company.

Deloitte Haskins & Sells
Chartered Accountants

Vancouver, British Columbia
February 22, 1980

First City
Trust
Company

Consolidated
Statement of
Changes in Cash

For the year ended
December 31, 1979
(with prior year's
figures for
comparison)

	1979	1978
Sources of Cash:		
From operations	\$ 11,678,000	\$ 7,496,000
Increase in customer deposits	209,941,000	186,739,000
Bank loans	97,802,000	8,083,000
Increase in accounts payable and accrued liabilities	977,000	6,051,000
Due to related parties	28,981,000	—
Issue of preferred shares	—	14,663,000
Term debt—net of repayments	—	1,911,000
Short term notes	—	19,887,000
Total	349,379,000	244,830,000
Uses of Cash:		
Net investment in:		
Short term notes	15,887,000	—
Securities	12,680,000	45,686,000
Mortgages	125,265,000	112,435,000
Secured personal loans	13,539,000	1,827,000
Commercial loans and equipment lease receivables	36,280,000	17,580,000
Real estate	87,619,000	31,237,000
Increase in accounts receivable	7,479,000	5,565,000
Purchase of net assets of subsidiaries less cash acquired	29,499,000	15,359,000
Fixed assets	4,767,000	1,124,000
Dividends:		
Common	567,000	567,000
Preferred	2,056,000	1,708,000
Term debt—net of fundings	10,740,000	—
Subordinated notes redeemed	500,000	500,000
Due to related parties	—	2,346,000
Purchase of preferred shares for cancellation	797,000	149,000
Other	4,843,000	1,121,000
Total	352,518,000	237,204,000
(Decrease) Increase in Cash for the Year	(3,139,000)	7,626,000
Cash at Beginning of the Year	22,392,000	14,766,000
Cash at End of the Year	\$ 19,253,000	\$ 22,392,000

The accompanying notes are an integral part of the consolidated financial statements.

Notes to the
Consolidated
Financial
StatementsDecember 31,
1979**1. Summary of Significant Accounting Policies:***Basis of consolidation*

The consolidated financial statements include the accounts of the company and its subsidiaries, all of which are wholly-owned.

The results of operations of the subsidiaries are included in the consolidated financial statements from the respective dates of acquisition or incorporation. Joint ventures and partnerships of subsidiary companies are accounted for using the proportionate consolidation method whereby the pro rata share of each of the assets, liabilities, revenues and expenses of each venture is included in the consolidated financial statements (Note 12).

Securities valuation

Bonds are carried at amortized cost and stocks at cost.

Loans valuation

Mortgages, commercial and secured personal loans are carried at cost plus accrued interest, less repayments and provisions for losses.

Equipment lease receivables including secured finance contracts are carried at cost, net of unearned income and provisions for losses. These receivables are recorded in accordance with the financing method of accounting under which income is recognized on the sum-of-the-digits method. Any gains resulting from the residual values of leased assets are reflected in earnings when realized.

Real estate

Income properties are carried at cost, including carrying costs capitalized during the development period. A property is deemed completed and operating when 70% rental occupancy is achieved subject to a reasonable maximum time period.

Housing completed and under development (including condominium housing) is valued at the lower of cost and estimated net realizable value.

Land, other than land held for income property development, is carried at the lower of cost and estimated net realizable value. Land held for income property development is carried at cost.

Foreclosed property is carried at estimated realizable value.

The company capitalizes direct carrying costs related to real estate projects including specific interest, property taxes, legal fees, and those general and administrative expenses that may be clearly identified with projects. In addition, non-specific interest is allocated to projects in such a manner that interest is capitalized on the company's net equity in real estate projects limited by the total amount of interest incurred. Net rentals from an income property under development are capitalized until such time as the property is deemed operating.

Revenue from the sale of housing units is recognized upon meeting the following criteria:

- ☐ construction is completed;
- ☐ the unit is accepted by the purchaser; and
- ☐ the purchaser assumes existing debt obligations related to the unit.

Revenue from the sale of land and income properties is recognized when all material requirements of the sale agreement have been met, when risks of ownership have been passed to the purchaser, and when a minimum of 15% of the purchase price has been received.

Foreign exchange translation

Foreign currency assets and liabilities are translated at the current rate of exchange prevailing at the balance sheet date for amounts due within one year and, for amounts not due within one year, at historic exchange rates. Revenues and expenses have been translated at the average monthly rate of exchange.

Mortgage fees and other income

Mortgage processing fees are recognized as income by the sum-of-the-digits method over the term of the related mortgage to a maximum of five years. If the term of the mortgage is one year or less, fees are recognized as income quarterly in equal amounts. Other mortgage fees and other income are included in income as received.

Depreciation and amortization

Operating income properties are depreciated principally on a 4%, forty-year sinking fund basis. The depreciation charge, which increases annually, consists of a fixed annual sum together with an amount equivalent to interest compounded at the rate of 4% per annum.

Fixed assets are depreciated on the straight-line basis over ten to sixty years; leasehold improvements are amortized on the straight-line basis over the terms of the related leases.

Goodwill

Goodwill arising on the acquisition of subsidiaries is being amortized on the straight-line basis over twenty years.

2. Acquisition:

Effective March 16, 1979 a subsidiary acquired all of the outstanding shares of Metropolitan Development Corporation for cash of \$31,175,000.

The acquisition has been accounted for by the purchase method and the following net assets were acquired:

Total assets	\$67,013,000
Total liabilities	35,838,000
	\$31,175,000

The results of operations of this subsidiary have been included in the statement of income from the date of acquisition to November 30, 1979, the year-end of First City Developments Ltd. and its subsidiaries.

3. Securities:

	1979	1978
Carrying values:		
Government bonds	\$ 40,181,000	\$ 28,106,000
Stocks	70,946,000	70,341,000
	\$111,127,000	\$ 98,447,000
Market values:		
Government bonds	\$ 36,248,000	25,055,000
Stocks	69,300,000	72,792,000
	\$105,548,000	\$ 97,847,000

4. Real Estate:

Real estate equity financing receivables	\$ 26,785,000	\$ 13,633,000
Land under development and held for sale	109,834,000	64,191,000
Housing completed and under development	53,087,000	11,963,000
Foreclosed property	8,417,000	4,360,000
Income properties:		
Under development	8,475,000	2,296,000
Operating—at cost less accumulated depreciation of \$2,980,000 (1978—\$2,770,000)	68,884,000	41,951,000
	\$275,482,000	\$138,394,000

Depreciation on income properties charged to income for the year amounted to \$843,000 (1978—\$355,000).

5. Fixed Assets:

These assets are stated at cost less accumulated depreciation and amortization of \$1,719,000 (1978—\$1,241,000). Depreciation and amortization charged to income amounted to \$771,000 (1978—\$346,000).

6. Bank Indebtedness:

	1979	1978
On finance receivables	\$ 3,732,000	\$ 1,357,000
On income properties:		
Operating	27,148,000	19,442,000
Under development	2,620,000	—
On housing completed under development	29,372,000	2,884,000
On land under development and held for sale	15,393,000	1,102,000
General	84,332,000	38,890,000
Stock investments	—	1,120,000
	\$162,597,000	\$64,795,000

Bank loans bear interest at rates from 9% to prime bank rate plus 2% and on a \$4,926,000 loan in the United States at prime bank rate plus 3½%.

The finance receivables loan is secured by an \$8,000,000 floating charge debenture on the receivables portfolio and by a guarantee of First City Financial Corporation Ltd.

Certain loans are secured by a demand debenture of \$100,000,000 secured by a first floating charge over all the assets of a subsidiary company, by fixed charges on specific income properties and a mortgage of an interest in a joint venture aggregating \$45,046,000, a \$10,000,000 guarantee of First City Financial Corporation Ltd. and by a general assignment of book debts. In addition, other loans are secured by a specific charge on real estate assets totalling \$103,364,000.

7. Due to Related Parties:

	1979	1978
First City Financial Corporation Ltd.	\$11,607,000	\$10,530,000
Bel-Fran Investments Limited	26,373,000	—
Director	1,531,000	—
	\$39,511,000	\$10,530,000

The amounts have no specific terms of repayment and bear interest at a weighted average rate of approximately 16% at December 31, 1979.

8. Term Debt:

Term debt is secured by mortgages and by assignment of finance receivables, and bears interest at varying fixed rates from 7% to 12½%.

	1979	1978
On operating income properties	\$22,702,000	\$ 9,318,000
On housing completed and under development	10,594,000	6,299,000
On land under development and held for sale	18,299,000	27,575,000
Finance receivables—secured debentures	571,000	643,000
	\$52,166,000	\$43,835,000

Debt on housing completed and under development will be assumed by the purchasers of such units or discharged out of sale proceeds.

Approximate principal repayments on remaining term debt are:

1980	\$ 9,680,000
1981	4,504,000
1982	1,870,000
1983	1,934,000
1984	6,244,000
Thereafter	17,340,000
	\$41,572,000

9. Subordinated Notes:

Series A Subordinated Notes bear interest at a rate, adjusted quarterly, equal to $1\frac{1}{2}\%$ per annum over the prime rate of a Canadian chartered bank.

Principal repayments are as follows:

June 20, 1980	\$ 500,000
June 20, 1981	500,000
June 20, 1982	2,500,000
	\$3,500,000

10. Minority Interest:

Minority interest represents \$1,647,000 of preferred shares of a subsidiary company which are owned by the parent company, First City Financial Corporation Ltd.

11. Capital Stock:

	Number of Shares		Amount	
	1979	1978	1979	1978
Cumulative redeemable preferred shares of \$10 par value each, issuable in series:				
Authorized	2,000,000	2,000,000	\$20,000,000	\$20,000,000
Issued and fully paid:				
Series A— $10\frac{3}{4}\%$	300,000	300,000	\$ 3,000,000	\$ 3,000,000
Series B—8.32%	577,000	598,800	5,770,000	5,988,000
	877,000	898,800	\$ 8,770,000	\$ 8,988,000
	Number of Shares		Amount	
	1979	1978	1979	1978
Cumulative redeemable $8\frac{3}{4}\%$ preferred shares of \$8.50 par value each:				
Authorized	2,000,000	2,000,000	\$17,000,000	\$17,000,000
Issued and fully paid	1,639,542	1,708,942	\$13,936,000	\$14,526,000
Common shares of \$2 par value each:				
Authorized	3,500,000	3,500,000	\$ 7,000,000	\$ 7,000,000
Issued and fully paid	1,133,908	1,133,908	\$ 2,268,000	\$ 2,268,000

Preferred Share Redemption Provisions:

\$10 par value class:

Series A— $10\frac{3}{4}\%$ Redeemable after January 1981 at par plus a decreasing premium to January 1995 and thereafter at par.

Series B—8.32% Redeemable after September 1982 at par plus a decreasing premium to September 1987 and thereafter at par.

\$8.50 par value class: $8\frac{3}{4}\%$ Redeemable after April 30, 1983 at par plus a decreasing premium to April 30, 1988 and thereafter at par.

Purchase for Cancellation:

During the year the company purchased for cancellation 21,800 Series B—8.32%, \$10 par value shares and 69,400— $8\frac{3}{4}\%$, \$8.50 par value shares at less than their par value resulting in a credit to contributed surplus of \$11,000.

12. Joint Ventures:

These consolidated financial statements include a subsidiary company's proportionate share of real estate joint venture and partnership assets, liabilities, revenues and expenses as follows:

	1979	1978
Assets	\$60,781,000	\$40,334,000
Liabilities	40,728,000	20,642,000
Revenues	13,023,000	2,367,000
Expenses	12,447,000	2,111,000

In certain joint ventures and partnerships the subsidiary company is contingently liable for its partners' portion of liabilities. The amount of this contingent liability at November 30, 1979 is approximately \$41,188,000 against which the company would have claims on the ventures' related assets which in total are sufficient to meet these obligations.

13. Income Taxes:

A portion of the company's income is tax-exempt dividend income; accordingly, income taxes as provided in the consolidated statement of income are less than the amount obtained by applying statutory tax rates to income from operations before income taxes.

14. Interest Expense:

In respect of real estate development operations of subsidiaries, interest accrued during the year, for the periods commencing from acquisition dates, amounted to \$23,445,000 of which \$10,539,000 was charged to operations with the remaining amount being capitalized. Capitalized interest is charged to earnings during the period and in future periods, as part of the cost of real estate sold and through the depreciation of income properties.

15. Commitments:

The company's premises and certain equipment are held under long-term leases extending for varying terms up to 2059. The aggregate amount of rentals paid during the year was \$1,137,000. The aggregate rentals payable under all leases currently in force during the next five years is \$4,680,000.

16. Remuneration of Directors and Senior Officers:

The aggregate direct remuneration paid or payable by the company and its subsidiaries during the year to directors and senior officers of the company was \$816,000 (1978 — \$697,000).

17. Contingent Liabilities:

A subsidiary company involved in real estate development has lodged letters of credit aggregating \$8,451,000 with municipalities and utilities as collateral for the fulfillment of obligations under certain subdivision agreements.

18. Comparative Figures:

Certain of the 1978 figures provided for the purpose of comparison have been reclassified to conform to the classifications used in the current year.

First City Trust Company and Subsidiaries

Five-Year Summary

(In thousands of dollars except for per share figures)

	1979	1978	1977	1976	1975
Balance Sheet					
Assets					
Cash and Short Term Investments	\$ 35,140	\$ 22,392	\$ 34,653	\$ 19,384	\$ 8,994
Securities	111,127	98,447	52,762	53,409	47,570
Mortgages	619,163	493,898	349,668	280,096	212,731
Secured Personal Loans	21,864	8,325	6,498	5,357	789
Commercial Loans and Equipment					
Leases	72,282	36,002	18,423	—	—
Real Estate	275,482	138,394	12,815	2,537	3,830
Other Assets	38,851	23,443	4,505	2,971	2,189
	\$1,173,909	\$820,901	\$479,324	\$363,754	\$276,103
Liabilities and Equity					
Deposits	\$ 821,986	\$612,045	\$425,307	\$338,916	\$255,381
Other Liabilities	234,090	104,644	19,166	1,639	2,445
Term Debt	52,166	43,835	6,350	4,750	5,000
Total Liabilities	1,108,242	760,524	450,823	345,305	262,826
Deferred Income Taxes	16,834	15,465	3,718	1,980	1,512
Minority Interest	1,647	2,632	—	—	—
Shareholders' Equity	47,186	42,280	24,783	16,469	11,765
	\$1,173,909	\$820,901	\$479,324	\$363,754	\$276,103
Income Statement					
Revenue:					
Income from Investments	\$ 80,833	\$ 55,735	\$ 40,630	\$ 32,516	\$ 25,185
Fees and Other	7,896	4,275	4,851	4,661	3,082
Real Estate Revenue	120,975	20,470	—	—	—
Total Revenue	209,704	80,480	45,481	37,177	28,267
Expenses:					
Interest	81,603	47,762	32,216	26,668	20,344
Salaries	9,368	5,417	3,136	2,390	2,068
Real Estate Costs	93,037	15,064	—	—	—
Other Expenses	15,032	5,708	4,813	3,728	2,863
Total Expenses	199,040	73,951	40,165	32,786	25,275
Income Taxes	2,338	1,246	1,752	1,703	1,367
Net Income	\$ 8,326	\$ 5,283	\$ 3,564	\$ 2,688	\$ 1,625
Per Common Share:					
Earnings	\$ 5.53	\$ 3.15	\$ 2.74	\$ 2.10	\$ 1.43
Dividends	\$ 0.50	\$ 0.50	\$ 0.46	\$ 0.41	\$ 0.36
Book Value	\$ 21.59	\$ 16.55	\$ 13.92	\$ 11.88	\$ 10.37

DIRECTORY

FIRST CITY FINANCIAL CORPORATION LTD.

DIRECTORS

Senator David A. Croll, Q.C.
Chairman of the Board
Toronto, Ontario

Samuel Belzberg, B. Comm.†*
President
Vancouver, B.C.

Richard C. Baxter, B. Comm.*
Vancouver, B.C.

Hyman Belzberg
Calgary, Alberta

William Belzberg
Beverly Hills, California

Michael Cytrynbaum
Vancouver, B.C.

Senator Allister Grosart, B.A.
Toronto, Ontario

W. Bernard Herman, Q.C.
Toronto, Ontario

Arnold H. Jeffrey†
Vancouver, B.C.

Frank D. Jones, Q.C.
Edmonton, Alberta

Morley Koffman, B.A. LL.B.†
Vancouver, B.C.

Roderick R. McDaniel
Calgary, Alberta

Joseph H. Shocter, Q.C.*
Edmonton, Alberta

*Audit Committee

†Executive Committee

OFFICERS

Senator David A. Croll, Q.C.
Chairman of the Board

Samuel Belzberg, B. Comm.
President

William Belzberg
Vice President

Hyman Belzberg
Vice President

Arnold H. Jeffrey
Senior Vice President

Brent A. Belzberg
Vice President

Michael Cytrynbaum
Vice President

Glenn M. Ferguson, B. Comm., C.A.
Vice President,
Finance and Administration

Frank L. Harper, B. Comm., C.A.
Assistant Vice President, Finance

Morley Koffman, B.A., LL.B.
Secretary

FIRST CITY TRUST COMPANY

DIRECTORS

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Vancouver, B.C.

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President
Vancouver, B.C.

Richard C. Baxter, B. Comm.
Vancouver, B.C.

Hyman Belzberg†
Calgary, Alberta

William Belzberg
Beverly Hills, California

Senator Allister Grosart, B.A.*
Toronto, Ontario

W. Bernard Herman, Q.C.*
Toronto, Ontario

Frank D. Jones, Q.C.*
Edmonton, Alberta

Morley Koffman, B.A. LL.B.†
Vancouver, B.C.

Roderick R. McDaniel
Calgary, Alberta

Joseph H. Shocter, Q.C.
Edmonton, Alberta

*Audit Committee

†Executive Committee

OFFICERS**Corporate Division**

Senator David A. Croll, Q.C.
Honourary Chairman of the Board

Samuel Belzberg, B. Comm.
Chairman of the Board

Arnold H. Jeffrey
President

William Belzberg
Vice President

Hyman Belzberg
Vice President and Chairman of the
Executive Committee

Joseph H. Shocter, Q.C.
Secretary

Mortgage Acquisition Division

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Executive Vice President

Ron Pillott
Vice President

Jack Kerr
Assistant Vice President

Mortgage Underwriting Division

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Divisional Vice President

Jules Joanis
Assistant Vice President

Drew Ripley
Assistant Vice President

Mortgage Banking Division

Robert W. McIntyre
Divisional Vice President

Savings Division

Richard J. McLeod
Divisional Vice President

Ken Chapman
Assistant Vice President

Realfunds Division

Ralph F. Ingram
Divisional Vice President

**Investments and Corporate
Planning Division**

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Executive Vice President

Dale C. Christensen
Assistant Vice President

Finance and Administration Division

Glenn M. Ferguson, B. Comm., C.A.
Executive Vice President

Frank L. Harper, B. Comm., C.A.
Vice President

John A. Linthwaite
Controller

George Will
Assistant Vice President
Mortgage Administration

Marketing Services Division

M. Graham Jue
Divisional Vice President

FIRST CITY CAPITAL LTD.**OFFICERS**

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President

Michael E. Garlough
Vice President

G. Dennis Holmes
Vice President

Robert Rowan
Vice President

Wayne A. Steele
Vice President

**FIRST CITY
DEVELOPMENTS LTD. (Canada)**

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Chairman
Vancouver, B.C.

Lawrence Shankman
President
Toronto, Ontario

Hyman Belzberg
Calgary, Alberta

Arnold H. Jeffrey
Vancouver, B.C.

Ricky J. Lyons
Edmonton, Alberta

James D. Snowdon
Edmonton, Alberta

OFFICERS

Corporate Division

Samuel Belzberg
Chairman

Lawrence Shankman
President

James Griffiths, M.B.A., C.A.
Senior Vice President, Finance

Hyman Belzberg
Vice President

William Belzberg
Vice President

Glenn M. Ferguson
Vice President

John McAlduff
Vice President

David S. Lines
Controller

Ricky J. Lyons
Assistant Secretary

First City Investments Division

Michael Cytrynbaum
President

David A. Alderdice
Vice President

Wilmar Andres
Vice President

Michael R. Guillemette
Vice President

Herman P. Kroeker
Vice President

Peter F. McPherson
Vice President

George B. Schaefer
Vice President

Consolidated Building Division

Lawrence Shankman
President

Somer Rumm
Senior Vice President

Irving Milstein
Vice President, Finance

Citrust Developments Division

Victor G.S. Durman
Vice President

Donald G. McMillan
Vice President

Richard E. Barker
Assistant Vice President

Villa Properties Limited

John Preston
President

FIRST CITY DEVELOPMENTS CORP. (U.S.)

OFFICERS

Marvin J. Richman
President

Robert A. Alleborn
President
First City Developments Corp.
of California

Gregory A. Rand
Executive Vice President
First City Developments Corp.
of Boston

Sean Mathis
Executive Vice President
First City Holdings Inc.

Robert Friedman
Vice President
Citrust Development Company

First City Equities

Barry Gelbart, *Partner*
David Schuman, *Partner*

First City Investments, Inc.

Michael Cytrynbaum
President

Thomas R.J. Bracken
Vice President

David A. Alderdice
Secretary Treasurer

Metropolitan Development Corporation

Samuel Belzberg
Chairman of the Board

Rudolph L. Schaefer
*President and Chief Executive
Officer*

Dennis S. Beck
Vice President

William Belzberg
Vice President

Lawrence D. Canarelli
Vice President
Marketing

George G. Dawley
Vice President

Frank Kocvara
Vice President
Land Development

Sheldon L. La Zar
Treasurer and Secretary

Wesley Lester
Vice President
Construction and Purchasing

TRANSFER AGENT AND REGISTRAR

First City Trust Company
Savings Branch Offices:

Calgary
Edmonton
Ottawa
Regina
Toronto
Vancouver
Winnipeg

AUDITORS

Deloitte Haskins & Sells
Chartered Accountants

STOCK EXCHANGE LISTING

Toronto Stock Exchange
Stock Ticker Symbols:
First City Financial—FCY
First City Trust—FCT

FIRST CITY OFFICE LOCATIONS

First City Financial Corporation Ltd.

Head Office:
1200 Royal Centre
1055 West Georgia Street
Vancouver, B.C.
V6E 3S6

After January 1981:
600 First City Building
777 Hornby Street
Vancouver, B.C.
V6Z 1S4

First City Trust Company

Head Office:
600- 7th Avenue S.W.
Calgary, Alberta
T2P 0Y6

Executive Office:
1200 Royal Centre
1055 West Georgia Street
Vancouver, B.C.
V6E 3S6

After January 1981:
600 First City Building
777 Hornby Street
Vancouver, B.C.
V6Z 1S4

Branches in:

Vancouver
Savings (604) 688-9421
Mortgage (604) 689-9144

Victoria
Savings (604) 383-4141
Mortgage (604) 383-1161

Calgary
Savings (403) 266-8851
Mortgage (403) 266-8821

Edmonton
McLeod Savings (403) 429-4811
McLeod Mortgage (403) 424-3121

Regina
Savings (306) 522-2691
Mortgage (306) 359-1422

Saskatoon
Savings (306) 242-4236

Winnipeg
Savings (204) 947-1543
Mortgage (204) 944-8766

Toronto
95 Yonge Street
Savings (416) 864-1090
Eglinton Savings (416) 482-7333
St. Clair Avenue
Savings (416) 654-8407
Mortgage (416) 922-0088

London
Savings (519) 672-7790
Mortgage (519) 679-9220

Windsor
Savings (519) 256-2314
Mortgage (519) 254-6471

Ottawa
Savings (613) 238-2636
Mortgage (613) 238-2636

First City Capital Ltd.

Head Office:
1200 Royal Centre
1055 West Georgia Street
Vancouver, B.C.
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After January 1981:
600 First City Building
777 Hornby Street
Vancouver, B.C.
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Branches in:

Vancouver (604) 689-9144
Calgary (403) 266-8877
Edmonton (403) 423-1808
Winnipeg (204) 944-0720
Toronto (416) 922-0088
London (519) 673-1900
Ottawa (613) 563-4623
(613) 563-4624
Montreal (514) 842-4851

First City Developments Ltd.

Head Office:
2300- 10025 Jasper Avenue
Edmonton, Alberta
T5J 1T1

Executive Office:
1200 Royal Centre
1055 West Georgia Street
Vancouver, B.C.
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After January 1981:
600 First City Building
777 Hornby Street
Vancouver, B.C.
V6Z 1S4

Offices in:

Vancouver
First City
Developments Ltd. (604) 689-9144
First City Investments (604) 689-9144

Calgary
First City Investments (403) 266-7402

Toronto
First City
Developments Ltd. (416) 925-2851
First City Investments (416) 922-0088
Villa Properties (416) 449-7046

First City Developments Corp. (U.S.)

Executive Office:
135 Lake Street South
Kirkland, Washington
98033

Subsidiaries:

Boston
First City Developments Corp. of Boston
29B- 85 East India Row
Boston, Massachusetts

Chicago
Citrust Development Company
3330 Dundee Road
Northbrook, Illinois
60062
(312) 291-0610

Newport Beach
First City Developments Corp.
of California
600- 1201 Dove Street
Newport Beach, California
92660
(714) 851-1585

New York
First City Holdings, Inc.
1002- 485 Madison Avenue
New York, New York 10022
(212) 751-1066

First City Equities

Bank of California Center
Suite 3818-900-4th Avenue
Seattle, Washington 98164
(206) 624-9223

First City Investments, Inc.
#101—14711 N.E. 29th Pl.
Bellevue, Washington 98007
(206) 881-3970

Metropolitan Development Corporation

Executive Office:
#301—8447 Wilshire Boulevard
Beverly Hills, California 90211
(213) 651-0370

Villa Properties Ltd.
603-180 Duncan Mill Road
Don Mills, Ontario
M3B 1Z6
(416) 449-7046

Special Times For Special Purposes

In two shakes of a lamb's tail, you can add at least a dozen to the examples that follow.

Howdy Doody Time
Tea time
Borrowed time
Over time
Time and a half
Double time
Two-time
Down time
Quitting Time
Finger-popping time
Fun time
Swing time
Post time
Stop time
Half time
Part time
Rag time
Shared time
Curtain time
Arrival time
Big time
Jig time
Time out
Good times
Old times
Hard times
Behind times
Time and again
Time saving
Spring time
All time
Best of times
Happy times

Contents of a time capsule buried at the 1964-1965 New York World's Fair, scheduled to be opened in 6539

a ball point pen
an electric toothbrush
contact lenses
a plastic heart valve
filter cigarettes
credit cards
tranquilizers
birth control pills
a bikini
Ranger IV's pictures of the moon
a laser rod
the Beatles' recording of "A Hard Day's Night"
printed material on:
climbing Mt. Everest
running the four-minute mile
World War II
Albert Einstein, Ernest Hemingway
the Cold War
skydiving
skin diving
the twist
a key to the English language

*If I had known I was going to live so long, I
would have taken better care of myself.*

Eubie Blake, age 97

*In the time of your life, live—so that in that
wondrous time you shall not add to the misery and
sorrow of the world, but shall smile to the
infinite delight and mystery of it.*

William Saroyan

Twelve Songs about Time

Time after Time
Time on My Hands
As Time Goes By
Anytime
For the First Time
Till the End of Time
Just in Time
The Times They are A-Changin'
Let the Good Times Roll
Time in a Bottle
Time Passages
Summertime

FIRST City

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